

**Company Registration No. 215402**

**Haden Young Limited**

**Report and Financial Statements**

**31 December 2007**

FRIDAY



\*LL6JS0XK\*

LD4

27/06/2008

42

COMPANIES HOUSE

# **Haden Young Limited**

## **Directors' report**

<b>Directors' report</b>	<b>1</b>
<b>Statement of directors' responsibilities</b>	<b>5</b>
<b>Independent auditors' report</b>	<b>6</b>
<b>Profit and loss account</b>	<b>8</b>
<b>Statement of recognised gains and losses</b>	<b>8</b>
<b>Balance sheet</b>	<b>9</b>
<b>Notes to the accounts</b>	<b>10</b>

# Haden Young Limited

## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2007

### Principal Activities and Business Review

Haden Young is a wholly owned subsidiary of Haden Building Services Limited, its immediate parent, registered in England and Wales. Its ultimate holding company is Balfour Beatty plc, incorporated in Great Britain and listed on the London Stock Exchange.

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

The directors are not aware, at the date of this report, of any likely major changes in the Company's principal activities in the next year.

Turnover for the year under review was £288,999,000 (2006 £196,588,000). Profit before tax for the year under review was £12,291,000 (2006 £9,908,000). During the year under review the Company continued to secure quality work including Pinderfield and Pontefract Hospital (£125m), Salford Hospital (£48m) and Tameside Hospital (£27m). These orders together with our ongoing commitment to key PFI projects resulted in turnover increasing by 47% in 2007.

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 2008 and beyond.

Details of subsequent events since the balance sheet date are contained within note 24 to the financial statements.

### Employment

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.

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.

### Principal risks and uncertainties

The identification, assessment, pursuit and management of opportunities and associated risks are an integral element of activity in all aspects of the Company's business.

As stated in the Balfour Beatty plc's Annual Report and Accounts for the year ended 31 December 2007, in the pursuit of opportunities the Group is particularly sensitive to the potential for importing risks whether in winning new contracts, forming joint ventures, acquiring businesses or investment. The Group has rigorous processes in place for managing the exposure within a specified opportunity and risk management framework that apply to all activities of the Company, including

# Haden Young Limited

## Directors' report

*Bidding risk* The Company bids selectively for a large number of contracts each year. Tenders are developed in accordance with thorough processes for estimating and risk identification and assessment, with particular attention to new or unique characteristics. They are subject to formal review and approval by tender committees established at an appropriate, level depending upon the value and nature of the contract tendered for.

*Delivery risk* The delivery of contracts is controlled and managed through the Company's operating structure. The Company's procedures embrace regular and frequent reviews, with an agenda centred on health and safety performance, issues affecting delivery, the impact on costs to completion and forecast revenue. This approach is underpinned by a continuing focus on assurance as to the effectiveness of the relevant controls.

*Joint venture risk* Joint ventures are formed for contracts where the Group believes that to do so will strengthen the quality of the bid and prospects of delivering a contract successfully. Procedures are in place to ensure that the joint venture partners bring skills, experience and resources that complement and add to those provided from within the Group.

*Changing government policies and funding priorities* A significant proportion of the Company's revenue flows from contracts founded upon Government policy and/or public funding. The Company seeks to mitigate the exposure to an adverse change in national policy or funding by broadening the portfolio of dependency and by diversifying on a measured and controlled basis into other areas of activity.

*Customer requirements* The Company has seen a continuing and increasing demand from customers for the provision of professional services, in the form of a contract or as component in a contract.

In addressing the pursuit and delivery of opportunities the Company also relies on a series of clear policies, along with associated expectations or controls, which provide a basic operating fabric and culture which are fundamental to managing risks such as staffing, HS&E matters and financial controls.

### **Risk management**

The importance of risk management has been recognised by the Company for many years. Central to the Company's systems of internal control are its processes and framework for risk management which have been adopted by the Parent Company. These accord with the Turnbull Guidance on internal controls and were in place throughout the year and up to the date of the signing of this report. The framework is applied to all functions in the Company, whether operational, financial or support. Under it, key risks facing each part of the Company are regularly reviewed and assessed, together with the steps to avoid or mitigate those risks. The results of those reviews are placed on risk registers and, where necessary, specific action plans developed. The registers are required to be updated on a regular basis, and the reporting procedures laid down ensure a continuing flow of risk information to the Audit Committee of the Parent Company.

Further details of these risk management processes are given in the Parent Company's Annual Report and Accounts 2007.

### **Financial risk management objectives and policies**

The Company monitors its exposure to price risk, credit risk and liquidity risk on an ongoing basis. The Company has not used financial instruments to change its exposure to these risks. Due to the nature of the Company's business and the assets and liabilities contained within the Company's balance sheet the only financial risks the Directors consider relevant to the Company are credit risk and liquidity risk.

# Haden Young Limited

## Directors' report (continued)

*Credit risk* The Company's principal financial assets are cash and cash equivalents, trade debtors and intra-group balances. The credit risk associated with the cash is limited as the counterparties have high credit ratings assigned by an international credit rating. In order to manage the risk the Company has implemented policies to ensure that the credit sales are made to customers who have an appropriate credit history before transactions are entered into, and monitored thereafter.

*Liquidity risk* The objective of the Company is to maintain a balance between the continuity of funding and the flexibility through the use of bank loans and advances from group companies. In addition, banking facilities have been put in place to secure general funding.

### Payment of creditors

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 2007, the year end creditors days of the company were 42 days (2006: 48 days).

### Financial statements and dividends

The audited accounts for the year ended 31 December 2007 are set out on pages 8 to 26. The profit for the year after taxation was £8,455,000 (2006: £7,392,000). No interim dividend on ordinary shares was paid during the year (2006: £nil).

### Directors

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

P J Barnes  
D G Beck (resigned 20 March 2008)  
L Elliot  
A G Currie  
E W Greenhalgh (resigned 31 July 2007)  
G J Bryce  
R C Wymes  
B K Hyam

### Corporate responsibility

The health and safety of its employees and of the public is of fundamental importance to the company. Continued improvements were achieved during 2007 in safety management using the safety audit system of OHSAS 18001.

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. The Company also has achieved continued accreditation to ISO 14001.

# Haden Young Limited

## Directors' report (continued)

### Key performance indicators

The Company, as a UK subsidiary of Balfour Beatty plc, has participated in the review of Key Performance Indicators relevant for external consideration of the Company's performance and prospects as referred to in Balfour Beatty plc's Annual Report and Accounts for the year ended 31 December 2007. It is intended that the recommendations from this study will in future be incorporated in the Company's management and financial reports.

### Disclosure of information to auditors

Each of the Directors at the date of approval of this report confirms that

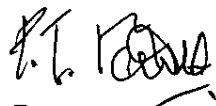
- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 234ZA of the Companies Act 1985.

### 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



Director

26 June 2008

42-44 Clarendon Road  
Watford  
Hertfordshire  
WD17 1DR

# **Haden Young Limited**

## **Statement of directors' responsibilities**

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK 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 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 2007 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, and the related notes numbered 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**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the 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 to the members of Haden Young Limited (continued)**

### **Opinion**

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

*Deloitte & Touche LLP.*

**Deloitte & Touche LLP**  
Chartered Accountants and Registered Auditors  
London, United Kingdom

27 June 2008

## Haden Young Limited

### Profit and loss account Year ended 31 December 2007

	Notes	2007 £'000	2006 £'000
Turnover	1, 2	288,999	196,588
Operating costs	3	(281,558)	(191,186)
<b>Operating profit</b>		<u>7,441</u>	<u>5,402</u>
Net interest receivable and similar income	8	3,876	3,408
Other finance income	23	974	1,098
<b>Profit on ordinary activities before taxation</b>	4	<u>12,291</u>	<u>9,908</u>
Tax on profit on ordinary activities	9	(3,836)	(2,516)
<b>Retained profit on ordinary activities after taxation</b>		<u><u>8,455</u></u>	<u><u>7,392</u></u>

All activities are from continuing operations in the United Kingdom

### Statement of total recognised gains and losses Year ended 31 December 2007

	Notes	2007 £'000	2006 £'000
Retained profit for the year		8,455	7,392
Actuarial gains on retirement obligations	23	311	366
Deferred tax on pension deficit		(273)	(110)
Deferred tax on share-based payments		(277)	428
<b>Total recognised profits since last annual report and financial statements</b>		<u><u>8,216</u></u>	<u><u>8,076</u></u>

# Haden Young Limited

## Balance sheet 31 December 2007

	Notes	2007 £'000	2006 £'000
<b>Fixed assets</b>			
Tangible assets	10	2,438	1,462
Investments	11	13	13
		<u>2,451</u>	<u>1,475</u>
<b>Current assets</b>			
Stocks	12	244	261
Debtors			
- due within one year	13	48,072	51,687
- due after one year	13	2,299	1,384
Cash at bank and in hand	14	75,754	58,090
		<u>126,369</u>	<u>111,422</u>
<b>Creditors: amounts falling due within one year</b>	15	<u>(85,949)</u>	<u>(79,684)</u>
<b>Net current assets</b>		<u>40,420</u>	<u>31,738</u>
<b>Total assets less current liabilities</b>		<u>42,871</u>	<u>33,213</u>
<b>Creditors: amounts falling due after more than one year</b>	16	(388)	(114)
Retirement benefit obligations	23	(12,081)	(11,358)
<b>Net assets</b>		<u>30,402</u>	<u>21,741</u>
<b>Share capital and reserves</b>			
Called up share capital	17	15,000	15,000
Profit and loss account	18	15,402	6,741
<b>Shareholders' funds</b>	19	<u>30,402</u>	<u>21,741</u>

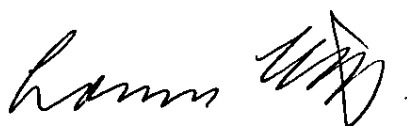
These financial statements were approved by the Board of Directors on 26 June 2008

Signed on behalf of the Board of Directors

Signed on behalf of the Board of Directors



A G Currie  
Director



L Elliot  
Director

# Haden Young Limited

## Notes to the accounts Year ended 31 December 2007

### 1. Accounting policies

The financial statements are prepared in accordance with applicable United Kingdom law and 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

In assessing the performance and establishing the valuation of amounts recoverable on contracts, the amounts recorded are dependent upon negotiations with its customers, which sometimes are complex and unlikely to be resolved in the short term. Accordingly, management have made the best estimate of the likely future outcomes based on the information currently available to them

#### 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

# Haden Young Limited

## Notes to the accounts Year ended 31 December 2007

### 1. Accounting policies (continued)

#### 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.

#### Pensions

For defined benefit pension schemes, the cost of providing benefits recognised in the profit and loss account and the defined benefit obligation is determined at the balance sheet date using the projected unit credit method by independent actuaries. The liability recognised in the balance sheet comprises the present value of the defined benefit pension obligation, determined by discounting the estimated future cash flows using the rate of interest on a high quality corporate bond, less the fair value of the plan assets. Actuarial gains and losses are recognised in full outside the profit and loss account in the period in which they occur in the statement of total recognised gains and losses. Contributions to defined contribution pension schemes are charged to the profit and loss account as they fall due.

#### 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.

#### 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.

#### Share-based payments

The Company has applied the requirements of FRS 20 "Share-based Payment". In accordance with the transitional provisions, FRS 20 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2006.

Employee services received in exchange for the grant of share options, performance share plan awards and deferred bonus plan awards by the Parent Company since 7 November 2002 are charged to the profit and loss account over the vesting period, based on the fair values of the options or awards at the date of grant and the numbers expected to become exercisable. The credits in respect of the amounts charged are included within separate reserves in equity until such time as the options or awards are exercised.

# Haden Young Limited

## Notes to the accounts Year ended 31 December 2007

### 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.

### 3. Operating costs

	2007 £'000	2006 £'000
Materials and subcontractors	193,692	124,853
Staff costs (see note 5)	71,167	54,925
Other operating charges	16,699	11,408
	<u>281,558</u>	<u>191,186</u>

### 4. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging

	2007 £'000	2006 £'000
Depreciation of owned assets	553	262
Operating lease rentals		
- plant and equipment	2,958	2,117
- other	1,358	1,321
Auditors' remuneration in respect of the audit of the Company's annual accounts	83	85
	<u>5,352</u>	<u>4,785</u>

There were no non-audit fees incurred in the year (2006 £nil)

### 5. Staff costs

Employee costs during the year (including directors) amounted to

	2007 £'000	2006 £'000
Wages and salaries	60,862	45,772
Social security costs	5,226	4,171
Other pension costs	4,634	4,645
Share-based payments	445	337
	<u>71,167</u>	<u>54,925</u>

	2007 No.	2006 No.
The average monthly number of employees during the year, including directors, was	<u>1,676</u>	<u>1,405</u>

# Haden Young Limited

## Notes to the accounts Year ended 31 December 2007

### 6. Directors' remuneration

The remuneration of the directors was as follows

	2007 £'000	2006 £'000
Emoluments	<u>1,430</u>	<u>1,365</u>

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

#### Pensions

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

	2007 No.	2006 No.
Defined benefit schemes	<u>7</u>	<u>8</u>

#### Share options

The number of directors who exercised shares in the year was as follows

	2007 No.	2006 No.
Exercised shares in Group Company	<u>5</u>	<u>5</u>
Accruals under long term incentive scheme	<u>1</u>	<u>1</u>

#### Highest paid director

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

	2007 £'000	2006 £'000
Emoluments	<u>497</u>	<u>359</u>

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

The accrued annual pension entitlement under the company's defined benefit scheme of the highest paid director at 31 December 2007 was £192,292 (2006 £177,963) and the accrued lump sum entitlement at 31 December 2007 was £505,230 (2006 £430,502)

# Haden Young Limited

## Notes to the accounts Year ended 31 December 2007

### 7. Share based payments

Certain employees of the Company are participants in four equity-settled share-based payment arrangements operated by the Company's ultimate parent, Balfour Beatty Plc, namely the savings-related share option scheme, the executive share option scheme, the performance share plan and the deferred bonus plan. The Company recognised total expenses related to equity-settled share-based payment transactions (since 7 November 2002) of £445,000 in 2007 (2006 £337,000).

#### (a) Savings-related share options

Balfour Beatty Plc operates an Inland Revenue approved savings-related share option scheme ("SAYE") under which employees are granted an option to purchase ordinary shares in the Parent Company in either three or five years time, dependent upon their entering into a contract to make monthly contributions to a savings account over the relevant period. These savings are used to fund the option exercise. This scheme is open to all employees based in the UK and performance conditions are not applied to the exercise of SAYE options. Employees normally have a period of six months after completion of the savings contributions during which to exercise the SAYE options, failing which they lapse. On 2 May 2007, options were granted over 2,500,148 shares at 389p per share, and these are normally exercisable in the periods from July 2010 to December 2010 and from July 2012 to December 2012 depending upon the length of savings contract chosen by the participant. The information in relation to SAYE options granted to employees of the Company since 7 November 2002 was

	2007		2006	
	SAYE options number	Weighted average exercise price pence	SAYE options number	Weighted average exercise price pence
Outstanding at 1 January	1,014,919	239.9	840,072	201.2
Granted during the year	348,337	389.0	331,809	305.0
Transferred during the year	(2,694)	189.2	(198)	133.0
Forfeited during the year	(45,961)	267.9	(60,352)	227.0
Exercised during the year	(92,448)	209.6	(96,412)	135.5
Expired during the year	(1,903)	133.0	-	-
Outstanding at 31 December	<u>1,220,250</u>	284.0	<u>1,014,919</u>	239.9
Exercisable at 31 December	<u>3,763</u>	210.0	<u>2,357</u>	133.0

The weighted average share price at the date of exercise for those SAYE options exercised during the year by all participants was 450.0 (2006 354.1p). Those SAYE options granted to employees of the Company which were outstanding at 31 December 2007 had a weighted average remaining contractual life of 2.8 years (2006 3.0 years).

The principal assumptions used by the consultants in the stochastic model for the SAYE options granted in 2007, including expected volatility determined from the historical weekly share price movements over the three-year period immediately preceding the invitation date, were



# Haden Young Limited

## Notes to the accounts Year ended 31 December 2007

### 7. Share based payments (continued)

#### (a) Savings-related share options (continued)

Invitation date	Exercise price pence	Closing share price before invitation date pence	Expected dividend yield %	Expected volatility of shares %	Expected term of options years	Risk-free interest rate %	Calculated fair value of an option pence
5 April 2007 – 3 year	389.0	484.25	1.86	21.3	3.25	5.35	141.9
5 April 2007 – 5 year	389.0	484.25	1.86	21.3	5.25	5.27	162.2

#### (b) Executive share options

Balfour Beatty plc has not granted any executive share options in 2007, but has continued to operate a scheme under which employees have been granted options to purchase ordinary shares in Balfour Beatty plc, which are exercisable between three and ten years after the date of grant. Performance conditions have been met, for all executive options granted since 7 November 2002, as earnings per share before goodwill amortisation and exceptional items ("eps") for the last year of the minimum three year performance period have grown from their respective fixed base eps by a total of at least 3% per annum plus the increase in RPI over the relevant period. The information in relation to executive options granted to employees of the Company since 7 November 2002 was

	2007		2006	
	Executive options number	Weighted average exercise price pence	Executive options number	Weighted average exercise price pence
Outstanding at 1 January	105,000	248.4	170,000	219.6
Granted during the year	-	-	-	-
Transferred during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	(90,000)	246.3	(65,000)	173.0
Expired during the year	-	-	-	-
Outstanding at 31 December	<u>15,000</u>	<u>261.0</u>	<u>105,000</u>	<u>248.4</u>
Exercisable at 31 December	<u>15,000</u>	<u>261.0</u>	<u>15,000</u>	<u>173.0</u>

The weighted average share price at the date of exercise for those executive options exercised during the year by all participants was 473.6p (2006 386.5p). Those executive options granted to employees of the Company which were outstanding at 31 December 2007 had a weighted average remaining contractual life of 6.3 years (2006 7.2 years).

# Haden Young Limited

## Notes to the accounts Year ended 31 December 2007

### 7. Share based payments (continued)

#### (c) Performance share plan awards

Balfour Beatty plc operates a performance share plan under which key senior employees are granted conditional awards of ordinary shares in Balfour Beatty plc, which are exercisable within three months of the third anniversary of the date of award. These awards will only vest to the extent that performance targets are met over a three year performance period. On 17 April 2007 a maximum of 1,465,383 conditional shares were awarded which are normally exercisable in the period between April 2010 and July 2010.

50% of the 2007 award is based on an eps growth target. The maximum award of shares is made only where Balfour Beatty plc's eps increases by at least RPI + 45% in the relevant performance period, 25% of this element of the award is made where Balfour Beatty plc's eps increases by RPI + 15% over the period, if growth in eps is between RPI + 15% and RPI + 45%, the number of shares will be awarded pro rata to the growth in eps, and no shares from this element of the award can be awarded if growth in eps is less than RPI + 15% over the period.

The other 50% of that 2007 award is based on total shareholder return (TSR) performance measured against a group of UK listed companies operating in comparable markets to Balfour Beatty plc. The maximum award of shares is made only where Balfour Beatty plc's TSR is in the upper quartile, 25% of this element of the award is made where Balfour Beatty plc's TSR is at the median, if Balfour Beatty plc's TSR is between the median and the upper quartile, the number of shares will be awarded pro rata, and no shares can be awarded if the Company's TSR is below median.

The information in relation to performance share awards granted to employees of the Company since 7 November 2002 was

	Conditional awards	
	2007	2006
	number	number
Outstanding at 1 January	152,064	178,919
Granted during the year	33,056	50,175
Transferred during the year	-	-
Forfeited during the year	-	-
Exercised during the year	(28,949)	(37,798)
Expired during the year	(24,810)	(39,232)
	<hr/>	<hr/>
Outstanding at 31 December	131,361	152,064
	<hr/>	<hr/>
Exercisable at 31 December	-	-
	<hr/>	<hr/>

The weighted average share price at the date of exercise for those performance share plan awards exercised during the year by all participants was 474 2p (2006 365 0p). Those performance share plan awards to employees of the Company which were outstanding at 31 December 2007 had a weighted average remaining contractual life of 1.5 years (2006 1.6 years).

# Haden Young Limited

## Notes to the accounts Year ended 31 December 2007

### 7. Share based payments (continued)

#### (c) Performance share plan awards (continued)

The awards are satisfied by the transfer of shares for no consideration. For the 50% of the 2007 award which is subject to a performance test based on eps, the fair value of the award is the closing share price before the award date (490.75p). For the 50% of that 2007 award which is subject to a market condition based on TSR, the consultants have used a stochastic model, including expected volatility determined from the historical weekly share price movements over the three-year period preceding the award date, with the following assumptions used:

Award date	Closing share price before award pence	Expected volatility of shares %	Expected term of awards years	Risk-free interest rate %	Calculated fair value of an award pence
17 April 2007	490.75	21.4	3.0	5.47	258.6

#### (d) Deferred bonus plan awards

Balfour Beatty plc operates a deferred bonus plan under which one-third of the annual bonus of key senior employees is deferred in the form of ordinary shares in Balfour Beatty plc, which will normally be released after three years, providing the individual is still in the Group's employment at that time. On 30 March 2007 a maximum of 403,002 conditional shares were awarded which will normally be released on 30 March 2010. On 2 July 2007 a further 8,734 conditional shares were awarded in lieu of entitlements to the final 2006 dividend and on 12 December 2007 a further 6,705 conditional shares were awarded in lieu of entitlements to the interim 2007 dividend. The information in relation to deferred bonus plan awards granted to employees of the Company since 7 November 2002 was:

	Conditional awards	
	2007 number	2006 number
Outstanding at 1 January	22,457	-
Granted during the year	13,694	21,973
Granted in lieu of dividends	756	484
Forfeited during the year	-	-
Exercised during the year	-	-
Expired during the year	-	-
Outstanding at 31 December	<u>36,907</u>	<u>22,457</u>
Exercisable at 31 December	<u>-</u>	<u>-</u>

Those deferred bonus plan awards to employees of the Company which were outstanding at 31 December 2007 had a weighted average remaining contractual life of 2.1 years (2006: 2.8 years). The weighted average share price at the date of exercise for those deferred bonus plan awards exercised during the year by all participants was 468.1p (2006: n/a).

As the awards are satisfied by the transfer of shares for no consideration, the fair values of the awards are the closing share price before award date, which was 477.0p, 443.0p and 504.5p for the awards made on 30 March 2007, 2 July 2007 and 12 December 2007 respectively.

# Haden Young Limited

## Notes to the accounts Year ended 31 December 2007

### 8. Net interest receivable and similar income

	2007 £'000	2006 £'000
Other interest payable	(20)	(1)
Bank interest receivable	3,623	3,409
Group interest receivable	273	-
	<u>3,876</u>	<u>3,408</u>

### 9. Tax on profit on ordinary activities

	2007 £'000	2006 £'000
The tax charge is based on the profit for the year and comprises		
UK corporation tax		
Current tax on income for the year	4,238	3,388
Adjustments in respect of prior years	(292)	(550)
	<u>3,946</u>	<u>2,838</u>
Total current tax		
Deferred tax (see note 13)	8	(2)
Deferred tax credit on retirement obligations	(103)	(249)
Deferred tax on share based payment	(41)	(51)
Adjustment in respect of prior years	26	(20)
	<u>(110)</u>	<u>(322)</u>
Total deferred tax		
Tax on profit on ordinary activities	<u>3,836</u>	<u>2,516</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

	2007 £'000	2006 £'000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	12,291	9,908
Tax on ordinary activities at 30% (2006 – 30%)	3,687	2,972
<i>Effects of</i>		
Expenses not deductible for tax purposes	227	114
Capital allowances in excess of depreciation	15	(13)
Other short-term timing differences	(8)	15
Adjustments to tax charge in respect of previous periods	(292)	(550)
Deferred tax obligations on pensions	259	249
Deferred tax share based payments	58	51
	<u>3,946</u>	<u>2,838</u>

# Haden Young Limited

## Notes to the accounts Year ended 31 December 2007

### 10. Tangible fixed assets

	Short-term leasehold land and buildings £'000	Plant and equipment £'000	Total £'000
<b>Cost</b>			
At 1 January 2007	859	2,799	3,658
Additions	909	621	1,530
Disposals	-	(61)	(61)
At 31 December 2007	<u>1,768</u>	<u>3,359</u>	<u>5,127</u>
<b>Depreciation</b>			
At 1 January 2007	250	1,946	2,196
Charge for the year	213	340	553
Disposals	-	(60)	(60)
At 31 December 2007	<u>463</u>	<u>2,226</u>	<u>2,689</u>
<b>Net book value</b>			
At 31 December 2007	<u>1,305</u>	<u>1,133</u>	<u>2,438</u>
At 31 December 2006	<u>609</u>	<u>853</u>	<u>1,462</u>

### 11. Fixed asset investments

	2007 £'000	2006 £'000
Subsidiary undertakings		
<b>Cost and net book value</b>		
At 31 December	<u>13</u>	<u>13</u>

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

### 12. Stocks

	2007 £'000	2006 £'000
Raw materials and consumables	<u>244</u>	<u>261</u>

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

# Haden Young Limited

## Notes to the accounts Year ended 31 December 2007

### 13. Debtors

	2007 £'000	2006 £'000
Amounts falling due within one year		
Trade debtors	17,920	20,506
Amounts recoverable on contracts	13,232	14,189
Amounts due from other group undertakings	99	147
Loan to group undertaking	15,000	15,000
Other debtors	618	541
Prepayments and accrued income	753	584
Deferred tax asset (excluding pension deferred tax asset)	450	720
	<u>48,072</u>	<u>51,687</u>
	<b>2007 £'000</b>	<b>2006 £'000</b>
<b>Amounts falling due after more than one year:</b>		
Contract retentions	<u>2,299</u>	<u>1,384</u>

The provision for deferred tax is based on a corporation tax rate of 30%. The recognised amount of deferred tax, included in debtors, comprises as follows

	2007 £'000	2006 £'000
The deferred tax asset recognised comprises		
Timing differences relating to capital allowances	191	217
Other timing differences	16	24
Deferred tax relating to share based payment	243	479
	<u>450</u>	<u>720</u>
Deferred tax excluding that relating to pension asset	450	720
Deferred tax relating to pension deficit (see note 23)	4,698	4,868
	<u>5,148</u>	<u>5,588</u>

	2007 £'000	2006 £'000
The movement in the year is detailed below		
At 1 January	5,588	5,943
Charge to the profit and loss account	(110)	(322)
Charge to the Statement of recognised gains and losses	(330)	(33)
	<u>5,148</u>	<u>5,588</u>
At 31 December	5,148	5,588

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

# Haden Young Limited

## Notes to the accounts Year ended 31 December 2007

### 14. 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 £28,765,672 (2006 £13,013,407)

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

	2007 £'000	2006 £'000
Advance payments from customers	12,572	18,696
Trade creditors	58,394	49,216
Amounts owed to other group undertakings	845	2,021
Taxation, social security and other taxes		
- corporation tax payable	2,487	1,702
- social security and other taxes	5,378	3,748
Other creditors	1,893	1,504
Accruals and deferred income	4,380	2,797
	<u>85,949</u>	<u>79,684</u>

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

	2007 £'000	2006 £'000
Advance payments from customers	<u>388</u>	<u>114</u>

### 17. Called up share capital

	2007 £'000	2006 £'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>

# Haden Young Limited

## Notes to the accounts Year ended 31 December 2007

### 18. Profit and loss account

	<b>2007</b> <b>£'000</b>	
At 1 January		6,741
Retained profit for the year		8,455
Other recognised gains for the year		
- actuarial gain on retirement obligations (net of taxation)		38
- movements relating to share based payments (net of taxation)		168
At 31 December		15,402
Pension reserve	<b>2007</b> <b>£'000</b>	<b>2006</b> <b>£'000</b>
Profit and loss reserve excluding pension deficit	27,483	18,099
Amount relating to defined benefit pension scheme liability, net of related deferred tax	(12,081)	(11,358)
Profit and loss reserve	<u>15,402</u>	<u>6,741</u>

### 19. Reconciliation of movements in shareholders' funds

	<b>2007</b> <b>£'000</b>	<b>2006</b> <b>£'000</b>
Retained profit for the financial year	8,455	7,392
Other gains and losses for the year		
- actuarial gains/(losses) on retirement benefit obligations (net of taxation)	38	256
Deferred tax on share based payments	(277)	77
Movements relating to share based payments	8,216	7,725
	445	337
Net addition to shareholders' funds	8,661	8,062
Opening shareholders' funds	21,741	13,679
Closing shareholders' funds	<u>30,402</u>	<u>21,741</u>

### 20. 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

### 21. Capital commitments

There were capital commitments of £25,000 at 31 December 2007 (2006 £nil)



# Haden Young Limited

## Notes to the accounts Year ended 31 December 2007

### 22. Leasing commitments

Date of expiry	2007		2006	
	Short-term leasehold land and buildings £'000	Other £'000	Short-term leasehold land and buildings £'000	Other £'000
Within one year	Nil	1,298	48	425
Between two and five years	1,438	1,724	1,286	1,647
After five years	115	11	115	6
	<u>1,553</u>	<u>3,033</u>	<u>1,449</u>	<u>2,078</u>

### 23. Pensions

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. A formal valuation of the Balfour Beatty Pension Fund at 31 March 2007 is being prepared but has not been finalised.

The Parent Company's actuaries have reviewed the funding valuations of the Balfour Beatty Pension Fund at 31 December 2007. Further details of these reviews can be found in the Balfour Beatty plc 2007 Annual Report and Accounts (note 26).

The latest actuarial funding valuations of the Balfour Beatty Pension Fund has been updated by the actuaries to 31 December 2007 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.

	2007 %	2006 %	2005 %
The principal assumptions used by the actuaries were			
Inflation rate	3.3	3.1	2.8
Discount rate	5.8	5.2	4.8
Rate of increase in salaries	4.8	4.6	4.3
Rate of increase in pensions in payment	3.3	3.1	2.8

# Haden Young Limited

## Notes to the accounts Year ended 31 December 2007

### 23. Pensions (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 2007 %	Value at 31 December 2007 £'000	Long-term expected rate of return at 31 December 2006 %	Value at 31 December 2006 £'000	Long-term expected rate of return at 31 December 2005 %	Value at 31 December 2005 £'000
Equities	8.25	48,559	8.15	62,335	8.10	60,497
Bonds	5.47	75,446	5.05	82,389	4.50	86,437
Property	6.40	231		-		-
Other assets	4.40	1,470	4.10	2,236	3.80	42
Total market value of assets	6.53	125,706	6.35	146,960	5.98	146,976
Present value of scheme liabilities		(142,485)		(163,186)		(162,738)
Deficit in scheme		(16,779)		(16,226)		(15,762)
Related deferred tax		4,698		4,868		4,729
Net pension liability		(12,081)		(11,358)		(11,033)

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

	2007 £'000	2006 £'000
At 1 January	(16,226)	(15,762)
Current service cost	(3,793)	(3,951)
Contributions paid	1,955	2,023
Other finance income	974	1,098
Actuarial gains	311	366
At 31 December	(16,779)	(16,226)

# Haden Young Limited

## Notes to the accounts Year ended 31 December 2007

### 23. Pensions (continued)

History of experience gains and losses

	Amount £'000 2007	% of scheme assets/ (liabilities) 2007
Actual return less expected return on pension scheme assets	1,642	1.2%
Experience gains and losses arising on scheme liabilities	3,857	(2.7%)
Changes in assumptions underlying the present value of scheme liabilities	(5,188)	3.6%
	<hr/>	<hr/>
Total actuarial gains in the statement of recognised gains and losses	311	(0.1%)
	<hr/>	<hr/>
	<b>2006</b>	<b>2006</b>
Actual return less expected return on pension scheme assets	(4,588)	(3.1%)
Experience gains and losses arising on scheme liabilities	1,133	(0.7%)
Changes in assumptions underlying the present value of scheme liabilities	3,821	(2.3%)
	<hr/>	<hr/>
Total actuarial loss in the statement of recognised gains and losses	366	(0.2%)
	<hr/>	<hr/>
	<b>2005</b>	<b>2005</b>
Actual return less expected return on pension scheme assets	30,472	20.8%
Experience gains and losses arising on scheme liabilities	(21,744)	(13.4%)
Changes in assumptions underlying the present value of scheme liabilities	(11,952)	(7.4%)
	<hr/>	<hr/>
Total actuarial loss in the statement of recognised gains and losses	(3,224)	(2.0%)
	<hr/>	<hr/>
	<b>2004</b>	<b>2004</b>
Actual return less expected return on pension scheme assets	3,128	2.8%
Experience gains and losses arising on scheme liabilities	(4,531)	(3.6%)
Changes in assumptions underlying the present value of scheme liabilities	436	0.4%
	<hr/>	<hr/>
Total actuarial loss in the statement of recognised gains and losses	(967)	(0.8%)
	<hr/>	<hr/>

# Haden Young Limited

## Notes to the accounts Year ended 31 December 2007

### 23. Pensions (continued)

The amounts recognised in the profit and loss account and statement of total recognised gains and losses for retirement benefit obligations comprise

	2007 £'000	2006 £'000
<b>Profit and loss account</b>		
Charge to operating profit – current service cost	(3,800)	(3,951)
Other finance income – expected return on pension scheme assets	9,187	8,649
– interest on pension scheme liabilities	(8,213)	(7,551)
Total other finance income	974	1,098
Charge to profit on ordinary activities before taxation	(2,826)	(2,853)
<b>Statement of total recognised gains and losses</b>		
Actual return less expected return on pension scheme assets	1,642	(4,588)
Experience gains and losses arising on scheme liabilities	3,857	1,133
Changes in assumptions underlying the present value of scheme liabilities	(5,188)	3,821
Taxation	311 (273)	366 (110)
Actuarial (losses)/gains on retirement benefit obligations	38	256

### 24. Subsequent events

Subsequent to the 31<sup>st</sup> December 2007, the company has now provided for additional costs and damages of £5.5m in relation to a long term joint venture project, the completion of which will be delayed until the 31<sup>st</sup> July 2008 due to events arising after 31 December 2007

### 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.