

**Company Registration No. 215402**

**Haden Young Limited**

**Report and Financial Statements**

**31 December 2006**

**WEDNESDAY**



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# **Haden Young Limited**

## **Directors' report**

<b>Directors' report</b>	<b>1</b>
<b>Independent auditors' report</b>	<b>8</b>
<b>Profit and loss account</b>	<b>10</b>
<b>Statement of recognised gains and losses</b>	<b>10</b>
<b>Balance sheet</b>	<b>11</b>
<b>Notes to the accounts</b>	<b>12</b>

# Haden Young Limited

## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2006

### 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 England and Wales 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.

Turnover for the year under review was £196,588,000 (2005 £193,759,000). Profit before tax for the year under review was £9,908,000 (2005 £9,277,000 as restated). During the year under review the Company continued to secure quality work including New Birmingham Hospital Scheme (£221 million), Victoria & Stobhill Hospitals project (£30m) and Liverpool Arena (£20m).

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 2007 and beyond.

### 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 2006, 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

*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.

# Haden Young Limited

## Directors' report

*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. The Company has focused such skills in one operating company and is developing further the capabilities in selected operating companies.

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 2006.

### Financial Risk Management Objectives and Policies

The Company monitors its exposure to price risk, credit risk and liquidity risk on an ongoing basis and has not used financial instruments to change its exposure to these risks.

### Research and development

Research and development costs of £nil (2005 £64,000) were incurred in the year.

# Haden Young Limited

## Directors' report

### 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 2006, the year end creditors days of the company were 48 days (2005 40 days)

### Financial Statements and Dividends

The audited accounts for the year ended 31 December 2006 are set out on pages 10 to 29. The profit for the year after taxation was £7,392,000 (2005 £6,492,000). No interim dividend on ordinary shares was paid during the year (2005 £5m)

### Directors

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

P J Barnes

D G Beck

L Elliot

A G Currie

E W Greenhalgh

G J Bryce

R C Wymes

B K Hyam (appointed 1 January 2006)

# Haden Young Limited

## Directors' report (continued)

### Directors' Interests

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

	At 1 January 2006	Options exercised in year	Options granted in year	At 31 December 2006
P J Barnes				
<i>Executive Share Options</i>	70,227	10,227	-	60,000
D G Beck				
<i>Executive Share Options</i>	10,227	-	-	-
L Elliot				
<i>Executive Share Options</i>	30,000	15,000	-	15,000
<i>Savings – Related Options</i>	5,807	1,358	-	4,449
A G Currie				
<i>Executive Share Options</i>	38,000	23,000	-	15,000
E W Greenhalgh				
<i>Executive Share Options</i>	30,000	15,000	-	15,000
<i>Savings – Related Options</i>	1,095	-	-	1,095
G J Bryce				
<i>Executive Share Options</i>	45,000	10,000	-	35,000
<i>Savings – Related Options</i>	789	-	-	789

During the year the 10,227 options granted to Mr D G Beck, under the executive share option scheme 1996, lapsed unexercised

Conditional awards have been made to Mr D G Beck under the 2003, 2004 and 2005 cycles of the Performance Share Plan 2001 and under the 2006 cycle of the Performance Share Plan 2006 established by Balfour Beatty plc. For each award under Performance Share Plan 2001, the Director may receive ordinary shares in Balfour Beatty plc up to a maximum number equivalent in market value to his basic salary at the date of award. The shares for each award under the Performance Share Plan 2001 will vest and be transferred to the Director if, and only to the extent that, an earnings per share growth target is met over the three year performance period. Under the Performance Share Plan 2006, the shares for each award will vest and be transferred to the Director if, and only to the extent that, targets are met over the three year performance period, with 50% of each award based on an earnings per share growth target and the other 50% of each award on a total shareholder return target in relation to a comparator group. The performance period for the 2003 cycle was completed on 31 December 2005 and as a result, Mr D G Beck exercised his right in respect of awards of 37,798 ordinary shares in Balfour Beatty plc. The performance period for the 2004 cycle was completed on 31 December 2006 and as a result, Mr D G Beck became entitled to awards of 28,949 ordinary shares in Balfour Beatty plc respectively. Further details of the operation of the Plans are disclosed in the annual report and accounts of Balfour Beatty plc.

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

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

# **Haden Young Limited**

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

### **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 2006 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.

### **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 2006. It is intended that the recommendations from this study will in future be incorporated in the Company's management and financial reports.

The Company considers profit on ordinary activities before taxation to be a key performance indicator of operational effectiveness. Return on capital employed is used to measure effective use of resources.

### **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.

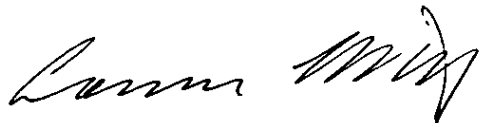
# Haden Young Limited

## Directors' report (continued)

### Auditors

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

Approved by the Board of Directors  
and signed on behalf of the Board

A handwritten signature in black ink, appearing to read 'L. Elliot', written in a cursive style.

L Elliot  
Director

12 June 2007  
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 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses, and the related notes numbered 1 to 26. 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 2006 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  
12 June 2007

## Haden Young Limited

### Profit and loss account Year ended 31 December 2006

	Notes	2006 £'000	2005 Restated £'000
Turnover	1, 2	196,588	193,759
Operating costs	3	(191,186)	(187,413)
<b>Operating profit</b>		<u>5,402</u>	<u>6,346</u>
Net interest receivable and similar income	8	3,408	2,585
Other finance income	24	1,098	346
<b>Profit on ordinary activities before taxation</b>	4	<u>9,908</u>	<u>9,277</u>
Tax on profit on ordinary activities	9	(2,516)	(2,785)
<b>Profit on ordinary activities after taxation</b>		<u>7,392</u>	<u>6,492</u>
Dividends paid	10	-	(5,000)
<b>Retained profit/(loss) for the year</b>	19	<u><u>7,392</u></u>	<u><u>1,492</u></u>

All activities are from continuing operations in the United Kingdom

### Statement of total recognised gains and losses Year ended 31 December 2006

	Notes	2006 £'000	2005 Restated £'000
Retained profit for the year		7,392	1,492
Actuarial profit/(loss) on retirement obligations	24	366	(3,224)
Deferred tax on pension deficit		(110)	967
Deferred tax on share-based payments		77	115
<b>Total recognised gains/(losses) for the year</b>		<u>7,725</u>	<u>(650)</u>
Prior period adjustment – implementation of FRS 20	11	351	
<b>Total recognised profits since last annual report and financial statements</b>		<u><u>8,076</u></u>	

# Haden Young Limited

## Balance sheet 31 December 2006

	Notes	2006 £'000	2005 Restated £'000
<b>Fixed assets</b>			
Tangible assets	11	1,462	821
Investments	12	13	13
		<u>1,475</u>	<u>834</u>
<b>Current assets</b>			
Stocks	13	261	319
Debtors			
- due within one year	14	51,687	36,471
- due after one year	14	1,384	1,651
Cash at bank and in hand	15	58,090	53,600
		<u>111,422</u>	<u>92,041</u>
<b>Creditors' amounts falling due within one year</b>	16	<u>(79,684)</u>	<u>(67,270)</u>
<b>Net current assets</b>		<u>31,738</u>	<u>24,771</u>
<b>Total assets less current liabilities</b>		<u>33,213</u>	<u>25,605</u>
<b>Creditors' amounts falling due after more than one year</b>	17	(114)	(893)
Retirement benefit obligations	24	<u>(11,358)</u>	<u>(11,033)</u>
<b>Net assets</b>		<u>21,741</u>	<u>13,679</u>
<b>Share capital and reserves</b>			
Called up share capital	18	15,000	15,000
Profit and loss account	19	6,741	(1,321)
<b>Shareholders' funds</b>	20	<u>21,741</u>	<u>13,679</u>

These financial statements were approved by the Board of Directors on 12 June 2007

Signed on behalf of the Board of Directors



D G Beck  
Director



L Elliot  
Director

# Haden Young Limited

## Notes to the accounts Year ended 31 December 2006

### 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 Company has adopted FRS 20 "Share-based Payment" in these financial statements and comparative figures have been restated accordingly. This restatement reduced profit on ordinary activities before taxation in 2005 by £274,000 and reduced tax on ordinary activities by £81k. Shareholders' funds at 31 December 2005 were increased by £351,000.

The accounts have been prepared under the historical cost convention. Consolidated accounts have not been prepared as afforded by section 228 of the Companies Act 1985, since the company is a wholly owned subsidiary undertaking of Balfour Beatty plc, a company registered in England and Wales, which has prepared consolidated accounts which include the company and its subsidiary undertakings.

#### Investments

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

#### Long-term contract work-in-progress

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

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

#### Turnover

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

#### Tangible fixed assets

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

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

Depreciation is charged at appropriate annual rates as follows:

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

#### Operating leases

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

# Haden Young Limited

## Notes to the accounts Year ended 31 December 2006

### 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 2006

### 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

	2006 £'000	2005 Restated £'000
Materials and subcontractors	124,853	116,947
Staff costs (see note 5)	54,925	59,296
Other operating charges	11,408	11,170
	<u>191,186</u>	<u>187,413</u>

### 4 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging

	2006 £'000	2005 £'000
Depreciation of owned assets	262	343
Operating lease rentals		
- plant and equipment	2,117	1,620
- other	1,321	1,487
Auditors' remuneration (audit fees)	85	85
Research and development cost	-	64
	<u>-</u>	<u>64</u>

There were no non-audit fees incurred in the year (2005 £nil)

### 5. Staff costs

Employee costs during the year (including directors) amounted to

	2006 £'000	2005 Restated £'000
Wages and salaries	45,772	51,567
Social security costs	4,171	4,123
Other pension costs	4,645	3,332
Share-based payments	337	274
	<u>54,925</u>	<u>59,296</u>

	2006 No.	2005 No.
The average monthly number of employees during the year, including directors, was	<u>1,405</u>	<u>1,450</u>



# Haden Young Limited

## Notes to the accounts Year ended 31 December 2006

### 6. Directors' remuneration

The remuneration of the directors was as follows

	2006 £'000	2005 £'000
Emoluments	<u>1,365</u>	<u>890</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. Details of directors who exercised share options, or became entitled to shares under a long-term incentive scheme in the year are disclosed on page 2.

#### Pensions

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

	2006 No.	2005 No.
Defined benefit schemes	<u>8</u>	<u>7</u>

#### Highest paid director

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

	2006 £'000	2005 £'000
Emoluments	<u>359</u>	<u>208</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. Details of directors who exercised share options, or became entitled to shares under a long-term incentive scheme in the year are disclosed on page 2.

The accrued annual pension entitlement under the company's defined benefit scheme of the highest paid director at 31 December 2006 was £177,963 (2005 £164,150) and the accrued lump sum entitlement at 31 December 2006 was £430,502 (2005 £268,514).

### 7 Share based payments

Certain employees of the Company are participants in an equity-settled share-based payment arrangements operated by the Parent Company, namely the savings-related share option scheme. The Company recognised total income related to equity-settled share-based payment transactions since 7 November 2002 of £359,000 in 2006 (2005 £274,000).

# Haden Young Limited

## Notes to the accounts Year ended 31 December 2006

### 7. Share based payments (continued)

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

The Parent Company 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, dependant 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 of the Company 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 3 May 2006, options were granted over 2,001,414 shares at 305p per share, and these are normally exercisable in the periods from July 2009 to December 2009 and from July 2011 to December 2011 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

	SAYE options 2006 number	Weighted average exercise price 2006 pence	SAYE options 2005 number	Weighted average exercise price 2005 pence
Outstanding at 1 January	840,072	201.2	549,369	171.2
Granted during the year	331,809	305.0	335,129	250.0
Transferred during the year	(198)	133.0	-	-
Forfeited during the year	(60,352)	227.0	(42,555)	199.2
Exercised during the year	(96,412)	135.5	(1,871)	182.0
Expired during the year	-	-	-	-
Outstanding at 31 December	<u>1,014,919</u>	239.9	<u>840,072</u>	201.2
Exercisable at 31 December	2,357	133.0	-	-

The weighted average share price at the date of exercise for those SAYE options exercised during the year by all participants was 354.1p (2005 330.4p). Those SAYE options granted to employees of the Company which were outstanding at 31 December 2006 had a weighted average remaining contractual life of 3.0 years (2005 3.2 years).

The principal assumptions used by the consultants in the stochastic model for the SAYE options granted in 2006, including expected volatility determined from the historic weekly share price movements over the three year period immediately preceding the invitation date, were

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
6 April 2006	305.0	386.75	2.09	23.1	3.25	4.45	112.2
6 April 2006	305.0	386.75	2.09	23.1	5.25	4.45	125.7

# Haden Young Limited

## Notes to the accounts Year ended 31 December 2006

### 7. Share based payments (continued)

#### (b) Executive share options

The Parent Company has not granted any executive share options in 2006, but has previously operated the scheme under which employees are granted an option to purchase ordinary shares in the Parent Company, which is exercisable between three and ten years after the date of grant provided that any performance condition has been met. For the executive options granted since 7 November 2002, earnings per share before goodwill amortisation and exceptional items ("eps") for the last year of the minimum three year performance period must 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 performance condition allows for retesting from the fixed base eps after a four or five year performance period. The information in relation to executive options granted to employees of the Company since 7 November 2002 was

	Executive options 2006 number	Weighted average exercise price 2006 pence	Executive options 2005 number	Weighted average exercise price 2005 Pence
Outstanding at 1 January	-170,000	219.6	170,000	219.6
Granted during the year	-	-	-	-
Transferred during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	(65,000)	173.0	-	-
Expired during the year	-	-	-	-
Outstanding at 31 December	<u>105,000</u>	248.4	<u>170,000</u>	219.6
Exercisable at 31 December	15,000	173.0	-	-

The weighted average share price at the date of exercise for those executive options exercised during the year by all participants was 386.5p (2005 315.9p). Those executive options granted to employees of the Company which were outstanding at 31 December 2006 had a weighted average remaining contractual life of 7.2 years (2005 7.8 years).

#### (c) Performance share plan awards

The Parent Company operates a performance share plan under which key senior employees are granted conditional awards of ordinary shares of the Parent Company, 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 13 June 2006 a maximum of 1,879,339 conditional shares were awarded which are normally exercisable in the period between June 2009 and September 2009.

50% of the 2006 award is based on an eps growth target. The maximum award of shares is made only where the Parent Company's eps increases by at least RPI + 45% in the relevant performance period, 25% of this element of the award is made where the Parent Company'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.

# Haden Young Limited

## Notes to the accounts Year ended 31 December 2006

### 7. Share based payments (continued)

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

The other 50% of that 2006 award is based on total shareholder return (TSR) performance measured against a group of UK listed companies operating in comparable markets to the Parent Company the maximum award of shares is made only where the Parent Company's TSR is in the upper quartile, 25% of this element of the award is made where the Parent Company's TSR is at the median, if the Parent Company's TSR is between the median and the upper quartile, the number of shares will be awarded prorata, and no shares can be awarded if the Parent 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	
	2006 number	2005 number
Outstanding at 1 January	178,919	130,789
Granted during the year	50,175	48,130
Transferred during the year	-	-
Forfeited during the year	-	-
Exercised during the year	(37,798)	-
Expired during the year	(39,232)	-
Outstanding at 31 December	<u>152,064</u>	<u>178,919</u>
Exercisable at 31 December	-	-

The weighted average share price at the date of exercise for those performance share awards exercised during the year by all participants was 365 0p (2005 n/a) Those performance share awards outstanding at 31 December 2006 had a weighted average remaining contractual life of 1.6 years (2005 1.4 years)

The awards are satisfied by the transfer of shares for no consideration For the 50% of the 2006 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 (307.75p) For the 50% of that 2006 award which is subject to a market condition based on TSR, the consultants have used a stochastic model, including expected volatility determined from the historic 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
6 April 2006	307.75	23.7	3.0	4.66	103.1

# Haden Young Limited

## Notes to the accounts Year ended 31 December 2006

### 7. Share based payments (continued)

#### (d) Deferred bonus plan awards

The Parent Company introduced a deferred bonus plan in 2005 under which one-third of the annual bonus of key senior employees will be deferred in the form of ordinary shares in the Parent Company, which will be released after three years, providing the individual is still in the Group's employment at that time. On 31 March 2006 a maximum of 352,831 conditional shares were awarded which will normally be released on 31 March 2009. On 3 July 2006 a further 4,650 conditional shares were awarded in lieu of entitlements to the final 2005 dividend and on 13 December 2006 a further 3,146 conditional shares were awarded in lieu of entitlements to the interim 2006 dividend. The information in relation to deferred bonus plan awards granted to employees of the Company since 7 November 2002 was

	Conditional awards	
	2006 number	2005 number
Outstanding at 1 January	-	-
Granted during the year	21,973	-
Granted in lieu of dividends	484	-
Forfeited during the year	-	-
Exercised during the year	-	-
Expired during the year	-	-
	<hr/>	<hr/>
Outstanding at 31 December	22,457	-
	<hr/>	<hr/>
Exercisable at 31 December	-	-

Those deferred bonus plan awards to employees of the Company which were outstanding at 31 December 2006 had a weighted average remaining contractual life of 2.75 years (2005 n/a)

As the awards are satisfied by the transfer of shares for no consideration, the fair values of those awards are the closing share price before award date, which were 375.0p, 343.5p and 432.25p for the awards made on 31 March 2006, 3 July 2006 and 13 December 2006 respectively

### 8. Net interest receivable and similar income

	2006 £'000	2005 £'000
Other interest payable	(1)	(1)
Bank interest receivable	3,409	2,586
	<hr/>	<hr/>
	3,408	2,585
	<hr/>	<hr/>

# Haden Young Limited

## Notes to the accounts Year ended 31 December 2006

### 9. Tax on profit on ordinary activities

	2006 £'000	2005 Restated £'000
The tax charge is based on the profit for the year and comprises		
UK corporation tax		
Current tax on income for the year	3,388	2,995
Adjustments in respect of prior years	(550)	(82)
	<hr/>	<hr/>
Total current tax	2,838	2,913
Deferred tax (see note 14)	(2)	72
Deferred tax credit on retirement obligations	(249)	(119)
Deferred tax on share based payment	(51)	(81)
Adjustment in respect of prior years	(20)	-
	<hr/>	<hr/>
Tax on profit on ordinary activities	<u>2,516</u>	<u>2,785</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

	2006 £'000	2005 Restated £'000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	9,908	9,277
	<hr/>	<hr/>
Tax on ordinary activities at 30% (2005 – 30%)	2,972	2,783
<i>Effects of</i>		
Expenses not deductible for tax purposes	114	83
Capital allowances in excess of depreciation	(13)	(17)
Other short term timing differences	15	(55)
Adjustments to tax charge in respect of previous periods	(550)	(82)
Deferred tax obligations on pensions	249	119
Deferred tax share based payments	51	82
	<hr/>	<hr/>
	<u>2,838</u>	<u>2,913</u>

### 10 Dividends

	2006 £'000	2005 £'000
Amounts recognised as distributions to equity holders in the period		
Interim dividend for the year ended 31 December 2006 of nil p (2005 33 ½p) per ordinary share		
	<hr/>	<hr/>
	-	5,000

# Haden Young Limited

## Notes to the accounts Year ended 31 December 2006

### 11 Prior year adjustment

The Company adopted FRS 20 "Share-based Payment" in these financial statements. The comparative figures in the primary statements and notes have been restated to reflect the new policy.

The effects of the change in policy are summarised below

	2006 £'000	2005 £'000
<b>Profit and loss account</b>		
Administration expenses	(337)	(274)
Tax on profit on ordinary activities	51	81
	<u>286</u>	<u>193</u>
<b>Balance Sheet</b>		
Creditors amounts falling due within one year	479	351
	<u>479</u>	<u>351</u>

### 12 Tangible fixed assets

	Short-term leasehold land and buildings £'000	Plant and equipment £'000	Total £'000
<b>Cost</b>			
At 1 January 2006	273	2,850	3,123
Additions	586	317	903
Disposals	-	(368)	(368)
	<u>859</u>	<u>2,799</u>	<u>3,658</u>
At 31 December 2006			
<b>Depreciation</b>			
At 1 January 2006	224	2,078	2,302
Charge for the year	26	236	262
Disposals	-	(368)	(368)
	<u>250</u>	<u>1,946</u>	<u>2,196</u>
At 31 December 2006			
<b>Net book value</b>			
At 31 December 2006	<u>609</u>	<u>853</u>	<u>1,462</u>
At 31 December 2005	<u>49</u>	<u>772</u>	<u>821</u>

# Haden Young Limited

## Notes to the accounts Year ended 31 December 2006

### 13. Fixed asset investments

	2006 £'000	2005 £'000
Subsidiary undertakings Cost and net book value At 31 December	13	13

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

### 14. Stocks

	2006 £'000	2005 £'000
Raw materials and consumables	261	319

### 15. Debtors

	2006 £'000	2005 Restated £'000
Amounts falling due within one year		
Trade debtors	20,506	29,050
Amounts recoverable on contracts	14,189	5,455
Amounts due from other group undertakings	147	252
Loan to group undertaking	15,000	-
Other debtors	541	699
Prepayments and accrued income	584	445
Deferred tax asset (excluding pension deferred tax asset)	720	570
	51,687	36,471
	2006 £'000	2005 £'000
Amounts falling due after more than one year		
Contract retentions	1,384	1,651



# Haden Young Limited

## Notes to the accounts Year ended 31 December 2006

### 15. Debtors (continued)

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

	2006 £'000	2005 Restated £'000
The deferred tax asset recognised comprises		
Timing differences relating to capital allowances	217	206
Other timing differences	24	13
Deferred tax relating to share based payment	479	351
	<u>720</u>	<u>570</u>
Deferred tax excluding that relating to pension asset	4,868	4,728
Deferred tax relating to pension deficit	5,588	5,298
Total provision for deferred tax	<u><u>5,588</u></u>	<u><u>5,298</u></u>

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

### 16. 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 £13,013,407 (2005 £4,637,789)

### 17. Creditors' amounts falling due within one year

	2006 £'000	2005 £'000
Advance payments from customers	18,696	13,513
Trade creditors	49,216	40,634
Amounts owed to other group undertakings	2,021	1,005
Taxation, social security and other taxes		
- corporation tax payable	1,702	1,591
- social security and other taxes	3,748	5,216
Other creditors	1,504	1,156
Accruals and deferred income	2,797	4,155
	<u>79,684</u>	<u>67,270</u>

### 18. Creditors' amounts falling due after more than one year

	2006 £'000	2005 £'000
Advance payments from customers	<u>114</u>	<u>893</u>

# Haden Young Limited

## Notes to the accounts Year ended 31 December 2006

### 19. Called up share capital

	2006 £'000	2005 £'000
<b>Authorised:</b>		
20,000,000 ordinary shares of £1 each	20,000	20,000
<b>Allotted, called up and fully paid</b>		
15,000,000 ordinary shares of £1 each	15,000	15,000

### 20 Profit and loss account

	2006 £'000	2005 Restated £'000
At 1 January (as previously reported)		(1,672)
Prior year adjustment – implementation of FRS 20		351
At 1 January (as restated)		(1,321)
Retained profit for the year		7,392
Other recognised gains for the year		
- actuarial gain on retirement obligations (net of taxation)		256
- movements relating to share based payments (net of taxation)		414
At 31 December		6,741
Pension reserve	2006 £'000	2005 Restated £'000
Profit and loss reserve excluding pension deficit	18,099	9,712
Amount relating to defined benefit pension scheme liability, net of related deferred tax	(11,358)	(11,033)
Profit and loss reserve	6,741	(1,321)

# Haden Young Limited

## Notes to the accounts Year ended 31 December 2006

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

	2006 £'000	2005 Restated £'000
Profit for the financial year	7,392	6,492
Dividends paid on ordinary shares	-	(5,000)
	<hr/>	<hr/>
Retained profit for the year	7,392	1,492
Other gains and losses for the year		
- actuarial gains/(losses) on retirement benefit obligations (net of taxation)	256	(2,257)
Deferred tax on share based payments	77	115
	<hr/>	<hr/>
	7,725	(650)
Movements relating to share based payments	337	275
	<hr/>	<hr/>
Net addition to shareholders funds	8,062	(375)
Opening equity shareholders' funds (as previously reported)	13,328	13,900
Prior year adjustment – implementation of FRS 20	351	154
Opening equity shareholders' funds (as restated)	13,679	14,054
	<hr/>	<hr/>
Closing equity shareholders' funds	21,741	13,679
	<hr/> <hr/>	<hr/> <hr/>

### 22. 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

### 23. Capital commitments

There were nil capital commitments at 31 December 2006 (2005 £nil)

### 24. Leasing commitments

Date of expiry	2006		2005	
	Short term leasehold land and buildings £'000	Other £'000	Short term leasehold land and buildings £'000	Other £'000
Within one year	1,629	791	355	426
Between two and five years	5,777	2,814	415	1,302
After five years	735	6	609	-
	<hr/>	<hr/>	<hr/>	<hr/>
	8,141	3,611	1,379	1,728
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

# Haden Young Limited

## Notes to the accounts Year ended 31 December 2006

### 25. 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.

The Parent Company's actuaries have reviewed the funding valuations of the Balfour Beatty Pension Fund at 31 December 2006. Further details of these reviews can be found in the Balfour Beatty plc 2006 Annual Report and Accounts (note 25).

The latest actuarial funding valuations of the Balfour Beatty Pension Fund has been updated by the actuaries to 31 December 2006 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.

	2006	2005	2004
	%	%	%
The principal assumptions used by the actuaries were			
Inflation rate	3.1	2.8	2.8
Discount rate	5.2	4.8	5.3
Rate of increase in salaries	4.6	4.3	4.3
Rate of increase in pensions in payment	3.1	2.8	2.8

# Haden Young Limited

## Notes to the accounts Year ended 31 December 2006

### 25. 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 2006 %	Value at 31 December 2006 £'000	Long-term expected rate of return at 31 December 2005 %	Value at 31 December 2005 £'000	Long-term expected rate of return at 31 December 2004 %	Value at 31 December 2004 £'000
Equities	8.15	62,335	8.10	60,497	8.30	44,687
Bonds	5.05	82,389	4.50	86,437	4.70	66,520
Other assets	4.10	2,236	3.80	42	3.80	2,044
Total market value of assets	6.35	146,960	5.98	146,976	6.11	113,251
Present value of scheme liabilities		(163,186)		(162,738)		(125,351)
Deficit in scheme		(16,226)		(15,762)		(12,100)
Related deferred tax		4,868		4,729		3,630
Net pension liability		(11,358)		(11,033)		(8,470)

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

	2006 £'000	2005 £'000
At 1 January	(15,762)	(12,100)
Current service cost	(3,951)	(2,824)
Contributions paid	2,023	2,080
Other finance income	1,098	346
Actuarial gains/(losses)	366	(3,264)
At 31 December	(16,226)	(15,762)

# Haden Young Limited

## Notes to the accounts Year ended 31 December 2006

### 25. Pensions (continued)

History of experience gains and losses

	Amount £'000 2006	% of scheme assets/ (liabilities) 2006
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%)
<b>Total actuarial gains in the statement of recognised gains and losses</b>	<b>366</b>	<b>(0.2%)</b>
	<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%)
<b>Total actuarial loss in the statement of recognised gains and losses</b>	<b>(3,224)</b>	<b>(2.0%)</b>
	<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%
<b>Total actuarial loss in the statement of recognised gains and losses</b>	<b>(967)</b>	<b>(0.8%)</b>
	<b>2003</b>	<b>2003</b>
Actual return less expected return on pension scheme assets	6,448	6.1%
Experience gains and losses arising on scheme liabilities	1,326	1.1%
Changes in assumptions underlying the present value of scheme liabilities	(10,650)	(9.1%)
<b>Total actuarial loss in the statement of recognised gains and losses</b>	<b>(2,876)</b>	<b>(2.5%)</b>

# Haden Young Limited

## Notes to the accounts Year ended 31 December 2006

### 25. Pensions (continued)

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

	2006 £'000	2005 £'000
<b>Profit and loss account</b>		
Charge to operating profit – current service cost	(3,951)	(2,824)
Other finance income -- expected return on pension scheme assets	8,649	6,861
– interest on pension scheme liabilities	(7,551)	(6,515)
Total other finance income	1,098	346
Charge to profit on ordinary activities before taxation	(2,853)	(2,478)
<b>Statement of total recognised gains and losses</b>		
Actual return less expected return on pension scheme assets	(4,588)	30,472
Experience gains and losses arising on scheme liabilities	1,133	(21,744)
Changes in assumptions underlying the present value of scheme liabilities	3,821	(11,952)
Taxation	366 (110)	(3,224) 967
Actuarial gains/(losses) on retirement benefit obligations	256	(2,257)

### 26 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.