

Company Registration No. 598379

Haden Building Management Limited

Report and Financial Statements

31 December 2006



Haden Building Management Limited

Report and financial statements 2006

| Contents | Page |
|---|-------------|
| Directors' report | 1 |
| Statement of directors' responsibilities | 4 |
| Independent auditors' report | 6 |
| Profit and loss account | 8 |
| Balance sheet | 9 |
| Notes to the accounts | 10 |

Haden Building Management Limited

Directors' report

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

Principal activity and business review

The principal activity of the company continues to be the operation and maintenance of building, mechanical and electrical engineering systems and the management of building support services

The company continued to add to its order book including large contracts for the Department Of Work and Pensions, Metropolitan Police and Birmingham Hospitals. Unexecuted work rose by 51% and turnover by 5% over the previous year

The company attaches considerable importance to improving safety systems and performance. The number of days lost through accidents fell from 610 in 2005 to 529 with the number of accidents resulting in more than three days absence falling from 30 in 2005 to 26

Payment of Creditors

In the UK, the Company's policy is to settle the terms of payment with suppliers when agreeing the terms for each transaction or series of transactions, to seek to ensure that suppliers are 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 20 (2005: 27)

Share Capital

There has been no change to the Company's share capital during the year

Financial statements and dividends

The audited accounts of the company are set out on pages 8 to 29. The profit for the year after taxation was £4,338,000 (2005: loss of £384,000). The Company has not declared any dividends in 2006 (2005: nil). A retained profit of £4,338,000 (2005: loss of £384,000) has been transferred to reserves.

Directors

The directors of the Company who served during the year were

M Fellowes (resigned April 27 2006)

J Marlor

A Rose (appointed April 27 2006)

K Craven (appointed December 18 2006)

Haden Building Management Limited

Directors' report

Directors' interests (continued)

At the relevant dates, none of the above directors had any interest (including options) in the company or fellow subsidiary undertakings. Their interests, including options, in the shares of Balfour Beatty plc, the ultimate holding company, are set out below.

The interests of A Rose are shown in the accounts of Balfour Beatty Group Ltd.

| | Number of options | | | |
|----------------------------|----------------------|--------------------|----------------------------------|---------------------------|
| | At 1 January 2006 | Granted in year | Lapsed / Exercised in year | At 31 December 2006 |
| M Fellowes | | | | |
| - <i>Executive options</i> | - | - | - | - |
| - <i>SAYE options</i> | 1,410 | - | (1,410) | - |
| J S Marlor | | | | |
| - <i>Executive options</i> | 23,799 | - | (15,799) | 8,000 |
| - <i>SAYE options</i> | 2,049 | 735 | (710) | 2,074 |
| | <hr/> 27,258 | <hr/> 735 | <hr/> (17,919) | <hr/> 10,074 |

Directors exercised 16,509 options, and 1,410 options lapsed unexercised, during the year. All interests at the dates shown are beneficial and are in respect of numbers of ordinary shares in Balfour Beatty plc.

Conditional awards have been made to Mr M Fellowes under the 2001, 2002 and 2003 cycles of the Performance Share Plan 2001 established by Balfour Beatty plc. For each award under this Plan, the Director may receive ordinary shares in Balfour Beatty plc up to a maximum number equivalent in market value to his basic salary at the date of award. The shares for each award will vest and be transferred to the Director if, and only to the extent that, an earnings per share growth target is met over the three year performance period. The performance period for the 2001 cycle was completed on 31 December 2003 and as a result, Mr M Fellowes will become entitled to 61,705 ordinary shares in Balfour Beatty plc respectively. Further details of the Plan are disclosed in the annual report and accounts of Balfour Beatty plc.

At the 31st December 2006 Mr K Craven held no executive or saye options.

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

Employment of disabled persons

Employment with the company and progression 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 their 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 when an employee becomes disabled whilst in the company's employment, all practical efforts are made to identify suitable opportunities.

Haden Building Management Limited

Directors' report

Employee consultation

The company recognises the importance of good communication with its employees and places considerable value on involving them, on a regular basis, in understanding the performance of the company and the contribution which it makes to that of the Balfour Beatty plc Group. An abbreviated financial report of the Balfour Beatty plc 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.

Safety and environmental policies

The health and safety of its employees and of the public is of fundamental importance to the company. The company has a responsible attitude to the environmental impact of the infrastructure, building, industrial development and other projects 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 and integral part of these systems.

Financial Risks

The company's principal financial assets are bank balances. The credit risk on liquid funds is limited because counterparties are banks with high credit rating assigned by international credit-rating agencies. The company does not enter into derivative financial instruments.

Haden Building Management Limited

Directors' report

Auditors

Each of the persons who is a director at the date of approval of this report confirms that

- (1) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- (2) the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

This information is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985

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



K Craven
Director

19 July 2007

10th Floor
Marlowe House
Station Road
Sidcup
Kent
DA15 7BH

Haden Building Management 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 judgements and estimates that are reasonable and prudent,
- State whether applicable United Kingdom Accounting Standards have been followed,
- 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, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a directors' report and directors' remuneration report which comply with the requirements of the Companies Act 1985.

Independent auditors' report to the members of Haden Building Management Limited

We have audited the financial statements of Haden Building Management Limited for the year ended 31 December 2006 which comprise the profit and loss account, the statement of total recognised gains, the balance sheet and losses and the related notes 1 to 22. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the Company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). Our responsibility is to audit the financial statements in accordance with relevant United Kingdom 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 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 the other information contained in the annual report for the above year as described in the contents section 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 Building Management Limited

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

A handwritten signature in black ink that reads "Deloitte & Touche LLP". The signature is written in a cursive, flowing style.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London, United Kingdom
19 July 2007

Haden Building Management Limited

Profit and loss account Year ended 31 December 2006

| | Notes | 2006 £'000 | 2005 £'000 Restated |
|---|-------|---------------|---------------------------|
| Turnover | 2 | 148,046 | 140,653 |
| Cost of sales | | (131,234) | (125,749) |
| Gross profit | | 16,812 | 14,904 |
| Administrative expenses | | (15,036) | (12,847) |
| Operating profit | | 1,776 | 2,057 |
| Profit on ordinary activities before interest | | 1,776 | 2,057 |
| Net interest received / (paid) | 4 | 807 | (99) |
| Other finance income | 19 | 1,440 | 572 |
| Income from investments | | 1,103 | 4,239 |
| Amounts written off - investments | | - | (6,035) |
| Profit on ordinary activities before taxation | 3 | 5,126 | 734 |
| Tax on profit on ordinary activities | 6 | (788) | (1,118) |
| Retained profit / (loss) on ordinary activities after taxation | | 4,338 | (384) |

All the above results derive from continuing activities and there were no acquisitions in the year

Statement of total recognised gains and losses

| | | 2006 £'000 | 2005 £'000 Restated |
|---|----|---------------|---------------------------|
| Profit / (loss) for financial year | | 4,338 | (384) |
| Actuarial gains on retirement benefit obligations (net of deferred taxation) | 19 | 971 | 435 |
| Tax on items in equity | | (62) | 94 |
| Total recognised gains and losses for the year | | 5,247 | 145 |
| Prior year adjustment on adoption of FRS 20 | 17 | 288 | |
| Total gains and losses recognised since last annual financial statements | | 5,535 | |

Haden Building Management Limited

Balance sheet 31 December 2006

| | Notes | 2006 £'000 | 2005 £'000 Restated |
|---|-------|-----------------|---------------------------|
| Fixed assets | | | |
| Tangible assets | 7 | 1,987 | 1,919 |
| Investment in associated undertakings | 8 | 3,395 | 3,395 |
| | | <u>5,382</u> | <u>5,314</u> |
| Current assets | | | |
| Stocks and work-in-progress | 9 | 4,000 | 3,468 |
| Debtors | 10 | 27,477 | 24,601 |
| Cash at bank and in hand | | 23,561 | 16,162 |
| | | <u>55,038</u> | <u>44,231</u> |
| Creditors Amounts falling due within one year | 11 | <u>(32,720)</u> | <u>(26,539)</u> |
| Net current assets | | <u>22,318</u> | <u>17,692</u> |
| Total assets less current liabilities | | <u>27,700</u> | <u>23,006</u> |
| Creditors Amounts falling due after more than one year | 12 | (3,000) | (4,000) |
| Provisions for liabilities | 13 | <u>(432)</u> | <u>(181)</u> |
| Net assets excluding pension liabilities | | <u>24,268</u> | <u>18,825</u> |
| Retirement benefit obligations | 19 | <u>(14,361)</u> | <u>(14,517)</u> |
| Net assets including pension liabilities | | <u>9,907</u> | <u>4,308</u> |
| Share capital and reserves | | | |
| Called up share capital | 14 | 10,000 | 10,000 |
| Share premium | 15 | 5,000 | 5,000 |
| Other Reserves | 15 | 449 | 385 |
| Profit and loss account | 15 | <u>(5,542)</u> | <u>(11,077)</u> |
| Total shareholders' funds | 16 | <u>9,907</u> | <u>4,308</u> |

The company balance sheet has been restated at 31 December 2005 to reflect the adoption of FRS20 'Share-based Payments' (see Note 20)

These financial statements were approved by the Board of Directors on

Signed on behalf of the Board of Directors



K Craven

Director

19 July 2007

Haden Building Management Limited

Notes to the accounts

Year ended 31 December 2006

1. Accounting policies

The financial statements are prepared in accordance with applicable United Kingdom accounting standards and law. The particular accounting policies adopted are described below and have been applied consistently in the current and preceding periods, except for FRS20 'Share Based Payments', details of which are set out in Note 20 and in Note 17.

Basis of accounting

The accounts are 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 of Balfour Beatty Plc, a company registered in England and Wales, which has prepared consolidated accounts which include the company and its subsidiary undertakings. 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 £182k and reduced tax on ordinary activities by £54k. Shareholders' funds at 31 December 2005 were increased by £288k.

Turnover

Turnover represents amounts invoiced to customers and excludes value added tax, except in respect of contracting activities where turnover recognised represents the value of work carried out during the year including amounts not invoiced.

Long-term contract work-in-progress

Where the business carries out long-term contracts and it is considered that their outcome can be assessed with reasonable certainty before their conclusions, the attributable profit is calculated on a prudent basis and included in the accounts for the period under review per SSAP 9. The profit taken up reflects the proportion of the work carried out at the accounting date and takes into account any known inequalities of profitability in the various stages of a contract.

If it is expected that there will be a loss on a contract as a whole, all of the loss is recognised as soon as it is foreseen.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost, net of depreciation and provision for impairment. Depreciation is calculated on the cost of tangible fixed assets and is charged on a straight-line basis so as to write down each asset over its expected working life. Periodic reviews of the working lives of assets are performed to take into account greater than normal usage and obsolescence, and further depreciation is charged as necessary.

The principal annual rates of depreciation used are as follows:

| | |
|------------------------|--|
| Leasehold improvements | - at appropriate rates varying from 10% to 33% |
| Plant and equipment | - at appropriate rates varying 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 Building Management Limited

Notes to the accounts

Year ended 31 December 2006

1. Accounting policies (continued)

Investments in associated companies

Investments in associated companies are shown at cost less provision for impairment. Income from investments is recognised when the shareholders' right to receive payment is established.

Stocks and work-in-progress

Stocks are valued at the lower of cost and net realisable value.

Work-in-progress for unbilled maintenance activities and all other stock is valued at the lower of cost and net realisable value. Advance payments received for incomplete maintenance work are included within creditors falling due within one year.

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 substantively enacted by the balance sheet date.

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

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

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

Cash flow statement

Under the provision of Financial Reporting Standard No. 1 "Cash flow statements (Revised)", the company has not prepared a cash flow statement because its immediate parent undertaking Haden Building Services Limited, which is registered in England and Wales, has prepared consolidated accounts which contain a cash flow statement.

Pension costs

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 recognised gains and losses. Contributions to defined contribution pension schemes are charged to the profit and loss account as they fall due.

Haden Building Management Limited

Notes to the accounts

Year ended 31 December 2006

1. Accounting policies (continued)

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 when the proceeds received in respect of share options are credited to share capital and share premium or the shares held by the employee trust are transferred to employees in respect of performance share plan awards and deferred bonus plan awards

2. Turnover

All turnover arises in the UK from the company's principal activity

| | 2006 £'000 | 2005 £'000 |
|---|----------------|----------------|
| United Kingdom | | |
| - Third parties | 145,734 | 136,778 |
| - Balfour Beatty plc subsidiary companies | 2,312 | 3,875 |
| | <u>148,046</u> | <u>140,653</u> |

3. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging

| | 2006 £'000 | 2005 £'000 |
|-------------------------|---------------|---------------|
| Depreciation | 698 | 669 |
| Operating lease rentals | | |
| - plant and machinery | 2,057 | 2,293 |
| - other | 616 | 654 |
| Auditors' remuneration | | |
| - audit | 80 | 69 |
| | <u>80</u> | <u>69</u> |

4. Net interest received / (payable)

| | 2006 £'000 | 2005 £'000 |
|---|---------------|---------------|
| Interest payable – Balfour Beatty Group | (170) | (297) |
| Interest payable – External | (24) | (41) |
| Interest receivable – External | 1,001 | 239 |
| | <u>807</u> | <u>(99)</u> |

Haden Building Management Limited

Notes to the accounts

Year ended 31 December 2006

5. Information regarding directors and employees

| | 2006 £'000 | 2005 £'000 |
|--------------------------------|---------------|---------------|
| Directors' remuneration | | |
| Emoluments | 277 | 432 |

No executive options relating to ordinary shares in Balfour Beatty plc, the ultimate parent company, were granted during the year (2005 0) 15,799 executive options were exercised in the period (2005 14,201)

Pensions

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

| | 2006 No. | 2005 No. |
|-------------------------|-------------|-------------|
| Defined benefit schemes | 2 | 2 |

No director was remunerated by another Balfour Beatty group undertaking (2005 0)

Haden Building Management Limited

Notes to the accounts Year ended 31 December 2006

5. Information regarding directors and employees (continued)

Highest paid director

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

| | 2006 £'000 | 2005 £'000 |
|------------|---------------|---------------|
| Emoluments | 154 | 225 |

The accrued pension entitlement under the company's defined benefit scheme of the highest paid director at 31 December 2006 was £25,000 p a (2005 £22,000 p a) and the accrued lump sum entitlement at 31 December 2006 was £6,000 (2004 £26,000)

| | 2006 No. | 2005 No |
|--|-------------|------------|
| Average number of persons employed, including directors | | |
| Site management, operations and maintenance | 3,224 | 3,380 |
| Administration | 422 | 431 |
| | 3,646 | 3,811 |

Staff costs during the year (including directors)

| | £'000 | £'000 |
|-----------------------|--------|--------|
| Wages and salaries | 69,903 | 67,624 |
| Social security costs | 5,409 | 5,055 |
| Other pension costs | 2,762 | 7,420 |
| Share-based payments | 90 | 182 |
| | 78,164 | 80,281 |

6. Taxation

| | 2006 £'000 | 2005 £'000 |
|--|---------------|---------------|
| The tax charge is based on the profit for the year and comprises | | |
| <i>UK corporation tax</i> | | |
| Current tax on income for the period | 1,575 | 1,191 |
| Adjustments in respect of prior years | (334) | (19) |
| Total current tax | 1,241 | 1,172 |
| Deferred tax | 26 | - |
| Deferred tax credit on retirement obligations | (349) | - |
| Deferred tax on share based payments | 19 | (54) |
| Adjustments in respect of prior years | (149) | - |
| Tax on profit on ordinary activities | 788 | 1,118 |

Haden Building Management Limited

Notes to the accounts Year ended 31 December 2006

6. Taxation (continued)

The current tax charge for the period is lower than the standard rate of corporation tax in the UK of 30% (2005 30%) The differences are explained below

| | 2006 £'000 | 2005 £'000 |
|--|---------------|---------------|
| <i>Current tax reconciliation</i> | | |
| Profit on ordinary activities before tax | 5,126 | 734 |
| Current tax at 30% (2005 30%) | 1,538 | 220 |
| <i>Effects of</i> | | |
| UK dividend income | (331) | (1,271) |
| Expenses not deductible for tax purposes | 45 | 1,891 |
| Capital allowances for period in excess of depreciation | (8) | (14) |
| Other short term timing differences | (18) | (13) |
| Adjustments to tax charge in respect of previous years | (334) | (19) |
| Deferred tax credit in respect of retirement benefit obligations | 349 | 378 |
| Total current tax charge (see above) | 1,241 | 1,172 |

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

7. Tangible fixed assets

| | Leasehold Improvements £'000 | Plant and equipment £'000 | Total £'000 |
|-----------------------|------------------------------------|---------------------------------|----------------|
| Cost | | | |
| At 1 January 2006 | 893 | 4,002 | 4,895 |
| Additions | 31 | 819 | 850 |
| Disposals | - | (377) | (377) |
| At 31 December 2006 | 924 | 4,444 | 5,368 |
| Depreciation | | | |
| At 1 January 2006 | 497 | 2,480 | 2,977 |
| Charge for the year | 87 | 612 | 699 |
| Disposals | - | (293) | (293) |
| At 31 December 2006 | 584 | 2,799 | 3,383 |
| Net book value | | | |
| At 31 December 2006 | 340 | 1,647 | 1,987 |
| At 31 December 2005 | 396 | 1,523 | 1,919 |

Haden Building Management Limited

Notes to the accounts Year ended 31 December 2006

8. Investments

| | Associated and joint venture undertakings £'000 |
|---|--|
| Cost | |
| At 1 January 2006 and 31 December 2006 | <u>3,395</u> |

The investments above represents the following undertakings

| | Country of incorporation | Holding (%) |
|------------------|-----------------------------|-------------|
| Monteray Limited | England and Wales | 24.5 |
| Romec Limited | England and Wales | 49.0 |

Haden Building Management Limited retains a 24.5% associate interest in the issued share capital of Monteray Limited amounting to £49. Monteray Limited provides facilities management services to its sole customer, British Telecommunications plc. The year end for Monteray Limited is 31 December.

Haden Building Management Limited acquired on the 30 September 2002, a 49% associate interest in Romec Limited, the company responsible for the maintenance and management of Royal Mail Group plc's nationwide estate. The year end for Romec Limited is 31 December.

9. Stocks and work-in-progress

| | 2006 £'000 | 2005 £'000 |
|-------------------------------|---------------|---------------|
| Raw materials and consumables | 163 | 157 |
| Long term contract balances | <u>3,837</u> | <u>3,311</u> |
| | <u>4,000</u> | <u>3,468</u> |

Haden Building Management Limited

Notes to the accounts

Year ended 31 December 2006

10. Debtors

| | 2006 £'000 | 2005 £'000 Restated |
|--|---------------|---------------------------|
| Amounts falling due within one year | | |
| Trade debtors | 20,666 | 17,328 |
| Amounts due from Balfour Beatty plc group undertakings | 112 | 200 |
| Other debtors | 427 | 191 |
| Prepayments and accrued income | 4,562 | 5,340 |
| Dividend from associated undertakings | 1,009 | 883 |
| Deferred tax | 701 | 659 |
| | <u>27,477</u> | <u>24,601</u> |

| | 2006 £'000 | 2005 £'000 Restated |
|---|---------------|---------------------------|
| The deferred taxation asset comprises | | |
| At 1 January | 659 | (12) |
| Deferred tax charged to the profit and loss account | | |
| - Current period deferred tax charge | 102 | (27) |
| - Balfour Beatty pension fund adjustment | - | 356 |
| - Share based payment adjustments | (81) | 288 |
| - Adjustment in respect of prior periods | 21 | 54 |
| | <u>701</u> | <u>659</u> |
| At 31 December | | |

| | 2006 £'000 | 2005 £'000 Restated |
|--|---------------|---------------------------|
| The amount provided, which represents the deferred tax asset, is analysed as follows | | |
| Accelerated capital allowances | 251 | 213 |
| Other timing differences | 243 | 158 |
| Share Based Payments | 207 | 288 |
| | <u>701</u> | <u>659</u> |
| Balfour Beatty pension fund adjustment (see note 19) | 6,154 | 6,221 |
| Deferred tax asset | <u>6,855</u> | <u>6,880</u> |

Haden Building Management Limited

Notes to the accounts Year ended 31 December 2006

11. Creditors: amounts falling due within one year

| | 2006 £'000 | 2005 £'000 |
|--|---------------|---------------|
| Trade creditors | 2,949 | 3,821 |
| Amounts due to Balfour Beatty plc group undertakings | 1,166 | 1,807 |
| Corporation tax | 597 | 741 |
| Other taxation, social security and PAYE | 4,436 | 3,845 |
| Other creditors | 1 | 304 |
| Accruals and deferred income | 22,696 | 15,557 |
| Pre-contract costs recoveries deferred | 875 | 464 |
| | <u>32,720</u> | <u>26,539</u> |

12. Creditors: amounts falling due after more than one year

| | 2006 £'000 | 2005 £'000 |
|---------------------------|---------------|---------------|
| Balfour Beatty Group loan | <u>3,000</u> | <u>4,000</u> |

The group loan is repayable to Balfour Beatty plc. The interest rate on the loan is 4.75% p.a.

13. Provisions for liabilities

| | Redundancy and reorganisation £'000 | Others £'000 | Total Restated £'000 |
|---|---|-----------------|----------------------------|
| At 1 January 2006 | 166 | 15 | 181 |
| Utilised during the period | (282) | - | (282) |
| Charged/(credited) to the profit and loss account | 233 | 300 | 533 |
| At 31 December 2006 | <u>117</u> | <u>315</u> | <u>432</u> |

The redundancy provision is expected to be utilised during 2007. Other provisions principally comprise project performance related items and other onerous commitments which are likely to unwind by 2008.

14. Called up share capital

| | 2006 £'000 | 2005 £'000 |
|---|---------------|---------------|
| Authorised | | |
| ordinary shares of £1 each | <u>10,000</u> | <u>10,000</u> |
| Allotted, called-up and fully-paid | | |
| ordinary shares of £1 each | <u>10,000</u> | <u>10,000</u> |

Haden Building Management Limited

Notes to the accounts Year ended 31 December 2006

15 Statement of movement on reserves

| | Share Capital £000 | Share Premium £000 | Other Reserves £000 | Profit & Loss Reserve £'000 | Total £'000 |
|---|--------------------------|--------------------------|---------------------------|--------------------------------------|----------------|
| Balance at 1 January 2006 – as previously stated | 10,000 | 5,000 | | (10,980) | 4,020 |
| Prior year adjustment – implementation of FRS20 | | | 385 | (97) | 288 |
| As at 1 January 2006 – as restated | 10,000 | 5,000 | 385 | (11,077) | 4,308 |
| Retained profit/(loss) for the year | | | | 4,338 | 4,338 |
| Actuarial gains on retirement benefit obligations (net of taxation) | | | | 1,387 | 1,387 |
| Tax on items taken directly to equity | | | | (478) | (478) |
| Movements relating to share-based payments | | | 64 | 288 | 352 |
| Balance at December 2006 | 10,000 | 5,000 | 449 | (5,542) | 9,907 |

16 Reconciliation of movements in shareholders' funds

| | 2006 £'000 | 2005 £'000 Restated |
|--|---------------|---------------------------|
| Profit for the financial year | 4,338 | (384) |
| Other recognised gains and losses for the year | | |
| - actuarial gains and losses on retirement benefit obligations | 1,387 | 435 |
| Tax on items in equity | (478) | 94 |
| | 5,247 | 145 |
| Movements relating to share-based payments | 352 | 182 |
| Net addition to shareholders' funds | 5,599 | 327 |
| Opening equity shareholders' funds – as previously reported | 4,020 | 3,265 |
| Prior year adjustment – implementation of FRS 20 | 288 | 716 |
| Opening shareholders' funds – as restated | 4,308 | 3,981 |
| Closing shareholders' funds | 9,907 | 4,308 |

Haden Building Management Limited

Notes to the accounts

Year ended 31 December 2006

17. Restatement due to change in accounting policy

As a result of the adoption of FRS20 'Share Based Payments' the Company balance sheet has been restated to reflect the impact of adopting this standard

The effect of this change in accounting policy is disclosed in the table below

| | Notes | Per 2005 Accounts £'000 | Adoption of FRS20 £'000 | Restated 2005 Accounts £'000 |
|-------------------------------|-------|-------------------------------|-------------------------------|------------------------------------|
| Profit on ordinary activities | 3 | 916 | (182) | 734 |
| Tax on ordinary activities | 6 | (1,172) | 54 | (1,118) |
| Deferred tax | 10 | 371 | 288 | 659 |
| Net Assets | 16 | 4,020 | 288 | 4,308 |
| Other reserves | 15 | - | 385 | 385 |
| Profit and loss account | 15 | (10,980) | (97) | (11,077) |

18. Guarantees and commitments

a) Operating leases

The minimum annual rentals under operating leases are as follows

| | 2005 | | 2006 | |
|-------------------------------|--------------------------------|----------------|--------------------------------|----------------|
| | Land and buildings £'000 | Other £'000 | Land and buildings £'000 | Other £'000 |
| Operating leases which expire | | | | |
| Within 1 year | 582 | 547 | 146 | 542 |
| Between 2 and 5 years | 1,924 | 1,603 | 164 | 1,646 |
| After 5 years | 284 | 2 | 212 | 12 |
| | <u>2,790</u> | <u>2,152</u> | <u>522</u> | <u>2,200</u> |

b) Capital commitments

| | 2006 £'000 | 2005 £'000 |
|---------------------------------|---------------|---------------|
| Contracted for but not provided | <u>134</u> | <u>70</u> |

The above relates to various items of IT hardware where the commitment to purchase was made prior to 31 December, but delivery was expected after 31 December

Haden Building Management Limited

Notes to the accounts

Year ended 31 December 2006

19. 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 Balfour Beatty Pension Fund includes a defined contribution section. Employer contributions paid and charged in the profit and loss account have been separately identified and the defined contribution section assets and liabilities have been excluded from the tables below. 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 | 3.10 | 2.80 | 2.80 |
| Discount rate | 5.15 | 4.80 | 5.30 |
| Rate of increase in salaries | 4.60 | 4.30 | 4.30 |
| Rate of increase in pensions in payment | 3.10 | 2.80 | 2.80 |

Haden Building Management Limited

Notes to the accounts Year ended 31 December 2006

19. 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 Dec 06 % | Value at 31 Dec 06 £'000 | Long-term expected rate of return at 31 Dec 05 % | Value at 31 Dec 05 £'000 | Long-term expected rate of return at 31 Dec 04 % | Value at 31 Dec 04 £'000 |
|--|---|--------------------------------|---|--------------------------------|---|--------------------------------|
| Equities | 8.15 | 78,815 | 8.10 | 79,340 | 8.30 | 73,981 |
| Bonds | 5.05 | 104,140 | 4.50 | 113,641 | 4.70 | 110,163 |
| Other assets | 4.10 | 2,827 | 3.80 | 5 | 3.80 | 3,299 |
| Total market value of assets | 6.35 | 185,812 | 5.98 | 192,987 | 6.11 | 187,443 |
| Present value of scheme liabilities | | (206,327) | | (213,725) | | (207,543) |
| Deficit in scheme | | (20,515) | | (20,738) | | (20,100) |
| Related deferred tax asset | | 6,154 | | 6,221 | | 6,030 |
| Net pension liability | | (14,361) | | (14,517) | | (14,070) |

Haden Building Management Limited

Notes to the accounts Year ended 31 December 2006

19. Pensions (continued)

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

| | 2006 £'000 | 2005 £'000 |
|-----------------------|-----------------|-----------------|
| At 1 January | (20,738) | (20,100) |
| Current service cost | (5,180) | (4,675) |
| Contributions paid | 2,576 | 2,844 |
| Finance income | 1,440 | 572 |
| Actuarial gain/(loss) | 1,387 | 621 |
| At 31 December | <u>(20,515)</u> | <u>(20,738)</u> |

The actuarial gain / (loss) comprises

| | 2006 | | 2005 | | 2004 | | 2003 | | 2002 | |
|---|-----------------|-------|-----------------|-------|-----------------|-------|-----------------|-------|-----------------|--------|
| | Amount £'000 | % | Amount £'000 | % | Amount £'000 | % | Amount £'000 | % | Amount £'000 | % |
| Actual return less expected return on pension scheme assets | (13,065) | (7.0) | (1,248) | (0.6) | 5,184 | 2.8 | 10,685 | 6.1 | (17,647) | (11.0) |
| Experience gains and losses arising on scheme liabilities | 9,552 | (4.6) | 17,539 | 8.2 | (7,509) | (3.6) | 2,198 | 1.1 | 2,173 | 1.3 |
| Changes in assumptions underlying the present value of scheme liabilities | 4,900 | (2.4) | (15,670) | (7.3) | 724 | 0.4 | (17,634) | (9.1) | 2,984 | 1.7 |
| Total actuarial gain/(loss) | 1,387 | (0.7) | 621 | (0.3) | (1,601) | (0.8) | (4,751) | (2.5) | (12,526) | (7.3) |

The amounts recognised in the profit and loss account and statement of total recognised gains and losses comprise

| | 2006 £'000 | 2005 £'000 |
|--|----------------|----------------|
| Profit and loss account | | |
| Charge to operating profit | | |
| - current service cost | (5,180) | (4,675) |
| - expected return on pension scheme assets | 11,340 | 11,359 |
| - interest on pension scheme liabilities | (9,900) | (10,787) |
| | <u>(3,740)</u> | <u>(4,103)</u> |
| Defined contribution schemes - Balfour Beatty Pension Fund | 735 | 572 |
| Charge to profit on ordinary activities before taxation | <u>(3,005)</u> | <u>(3,531)</u> |

Haden Building Management Limited

Notes to the accounts Year ended 31 December 2006

19. Pensions (continued)

| | 2006 £'000 | 2005 £'000 |
|---|---------------|---------------|
| Statement of total recognised gains and losses | | |
| Actual return less expected return on pension scheme assets | (13,065) | (1,248) |
| Experience gains and losses arising on scheme liabilities | 9,552 | 17,539 |
| Changes in assumptions underlying the present value of scheme liabilities | 4,900 | (15,670) |
| | <hr/> | <hr/> |
| | 1,387 | 621 |
| Taxation | (416) | (186) |
| | <hr/> | <hr/> |
| Actuarial gains/(losses) on retirement benefit obligations | 971 | 435 |
| | <hr/> | <hr/> |

20. Share based payments

Certain employees of the Company are participants in four equity-settled share-based payment arrangements operated by the Parent Company, 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 £90k in 2006 (2005 £182k).

(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

Haden Building Management Limited

Notes to the accounts Year ended 31 December 2006

20. Share based payments (continued)

| | SAYE options 2006 number | Weighted average exercise price 2006 pence | SAYE options 2005 number | Weighted average exercise price 2005 pence |
|-----------------------------|-----------------------------------|---|-----------------------------------|---|
| Outstanding at 1 January | 401,571 | 202 2 | 293,257 | 175 0 |
| Granted during the year | 147,384 | 305 0 | 155,493 | 250 0 |
| Transferred during the year | (3,274) | 196 2 | - | - |
| Forfeited during the year | (38,703) | 217 4 | (43,635) | 192 5 |
| Exercised during the year | (62,222) | 138 2 | (3,544) | 162 1 |
| Expired during the year | - | - | - | - |
| Outstanding at 31 December | 444,756 | 244 0 | 401,571 | 202 2 |
| Exercisable at 31 December | 4,599 | 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 2.8 years (2005 3.0 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 Building Management Limited

Notes to the accounts

Year ended 31 December 2006

20. 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 | 189,000 | 216.8 | 243,000 | 212.1 |
| Granted during the year | - | - | - | - |
| Transferred during the year | - | - | - | - |
| Forfeited during the year | - | - | (54,000) | 195.8 |
| Exercised during the year | (66,000) | 173.0 | - | - |
| Expired during the year | - | - | - | - |
| Outstanding at 31 December | 123,000 | 240.3 | 189,000 | 216.8 |
| Exercisable at 31 December | 29,000 | 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 7.1 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 Building Management Limited

Notes to the accounts

Year ended 31 December 2006

20. 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 pro rata, 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 | Conditional awards 2005 number |
|-----------------------------|---|---|
| Outstanding at 1 January | 202,555 | 148,318 |
| Granted during the year | - | 54,237 |
| Transferred during the year | - | - |
| Forfeited during the year | (115,100) | - |
| Exercised during the year | (42,914) | - |
| Expired during the year | (44,541) | - |
| Outstanding at 31 December | - | 202,555 |
| 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 2005 had a weighted average remaining contractual life of 1.4 years

Haden Building Management Limited

Notes to the accounts

Year ended 31 December 2006

20. 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 | Conditional awards 2005 number |
|------------------------------|---|---|
| Outstanding at 1 January | - | - |
| Granted during the year | 3,038 | - |
| Granted in lieu of dividends | 67 | - |
| Forfeited during the year | - | - |
| Exercised during the year | - | - |
| Expired during the year | - | - |
| Outstanding at 31 December | 3,105 | - |
| 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.

21. Ultimate holding company and ultimate controlling party

The company is a subsidiary undertaking of Haden Building Services Limited, which is registered in England and Wales. Its ultimate holding company and controlling party is Balfour Beatty plc, incorporated in Great Britain.

The largest group in which the results of Haden Building Management 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, London, SW1V 1LQ.

Haden Building Management Limited

Notes to the accounts

Year ended 31 December 2006

22. Related Party Transactions

The company has taken advantage of the exemption under the rules of Financial Reporting Standard No 8 ("Related Party Transactions") from disclosing related party transactions with other members of the Balfour Beatty plc Group