

Company Registration No. 598379

Haden Building Management Limited

Report and Financial Statements

31 December 2007

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Haden Building Management Limited

Report and financial statements 2007

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Haden Building Management Limited

Directors' report

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

Principal activity and business review

The principal activities of the Company are facilities management, incorporating both hard and soft services, and the management of business support services. The Company works in partnership with sophisticated customers who value the highest levels of quality, safety and technical expertise.

On 24 December 2007, the Company acquired New Start Ventures Limited, from Birse Group plc, a subsidiary of Balfour Beatty plc.

Turnover for the year under review was £214.1m (2006 – £148.0m). Profit before tax for the year under review was £11.2m (2006 - £5.1m). The business continues to perform well with year on year profitable growth. Growth in the Healthcare and Education sectors continued with contracts secured for Pontefract and Pinderfields Hospital and Knowsley Schools. In addition preferred bidder positions were achieved on Fife Hospital and Islington Schools. Early in 2007, the Company commenced service delivery on large long-term contracts for the Metropolitan Police and for the Department of Works and Pensions.

The Company believes that market conditions and opportunities exist for continued profitable growth in the future.

Key Performance Indicators

The Company has participated in the review of key performance indicators relevant for external consideration of the Company's performance and prospects. Following this review the Company has chosen the following as its key performance indicators,

Safety

The company's Accident Frequency Rate (AFR) stands at 0.30 reportable accidents per 100,000 man hours worked, representing a 23.1% reduction in the AFR rate from the previous year.

Turnover

The Company's turnover for the year totals £214.1m, an increase of £66.0m (45%) on the previous year.

Profit before tax

The Company's profit before tax and exceptional items for the year totals £11.1m, an increase of £6.0m (118%) on the previous year.

Net assets excluding pension liabilities

The Company's net assets excluding pension liabilities at year end stand at £30.9m, an increase of £6.7m (27.4%) on the previous year.

Haden Building Management Limited

Directors' report (continued)

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 2007, the year end creditors' days of the company were three (2006 - 20). A good cash flow position during the current year enabled the company to discharge creditors' obligations in an efficient manner which resulted in a reduction of creditor days.

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 £8,020,000 (2006 - profit of £4,338,000). The Company has not declared any dividends in 2007 (2006 - nil). A retained profit of £8,020,000 (2006 - profit of £4,338,000) has been transferred to reserves.

Directors

The directors of the Company, who served during the year and to the date of this report except as noted, were

J Marlor

A Rose (resigned May 8 2007)

K Craven

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.

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

Haden Building Management Limited

Directors' report (continued)

environmental risk at the tender stage Training on environmental issues continues to form a significant and integral part of these systems

Risk Management

The identification, assessment, pursuit and management of opportunities and the associated risks is an integral and inseparable part of the management skills and processes, which are a core element of activity throughout the Company

External Risks - The Company continually addresses the impact of the external business environment, updating as appropriate its strategy and medium-term planning

Strategic Risks - In the pursuit of business opportunities the Company is aware particularly of the potential for importing risk, whether by way of winning new contracts, forming joint ventures, acquiring businesses or investment Rigorous processes are therefore in place for managing such exposure within a specified opportunity and risk management framework

Organisation and Management Risk - The retention and recruitment of staff for an organisation that is continually growing significantly is a challenge faced by the Company and the sector in which it operates In operating defined benefit pension schemes, the Company is exposed to fluctuations in investment returns and inflation, long-term interest rates, which affect the discount rate used to calculate liabilities, and to the effects of increased life expectancy of Pension Fund Members These risks are carefully and regularly reviewed The Company is conscious of the reliance placed on IT systems as a platform for efficient delivery of day-to-day operational activities and continues to develop and deliver further improvements

Delivery and Operational Risks - In delivering contracts and business improvement initiatives, rigorous processes are in place for managing the potential risk exposure

Financial Risk - Credit risk is managed by assessing the creditworthiness of potential customers before entering into transactions The Company's most significant customers are public or quasi public sector entities which because of their nature have high credit ratings Liquidity risk is managed by continuously monitoring actual and forecast cash flows and by access facilitated by the Parent Company to external banking facilities Price risk primarily arises in long-term contracts for services, where the Company seeks to ensure revenue is indexed to offset the effect of inflation on costs

Liquidity Risk - The Company maintains an appropriate level of finance through intra-group loans that is designed to ensure that the Company has sufficient funds for its operations

Health, Safety and Environmental Risks - The Company continues to give strong focus to the attention it gives to HS&E, along with a continuing objective of improving its performance

Donations

During the year the company made charitable donations of £7,000 (2006 £2,000) The company made no donations to political organisations during the year (2006 £nil)

Haden Building Management Limited

Directors' report (continued)

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/she ought to have taken as a director in order to make himself/herself 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
27 June 2008

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 the 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, 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 Company's Act 1985. They are also responsible for safeguarding the assets of the Company and hence taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 2007 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet 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

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 have been 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 Building Management Limited (continued)

Opinion

In our opinion

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

Deloitte & Touche LLP

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

London, United Kingdom

27 June 2008

Haden Building Management Limited

Profit and loss account

Year ended 31 December 2007

	Notes	2007 £'000	2006 £'000
Turnover	2	214,065	148,046
Cost of sales		(193,202)	(131,234)
Gross profit		20,863	16,812
Administrative expenses		(13,579)	(15,036)
Operating profit		7,284	1,776
Income from investments		1,103	1,103
Profit on ordinary activities before interest		8,387	2,879
Net interest received	4	1,558	807
Other finance income	19	1,232	1,440
Profit on ordinary activities before taxation	3	11,177	5,126
Tax on profit on ordinary activities	6	(3,157)	(788)
Retained profit on ordinary activities after taxation		8,020	4,338

On 24 December 2007, the Company acquired New Start Ventures Limited for a total consideration of £1. The acquisition had no material impact on the Company's results for the year ended 31 December 2007.

Statement of total recognised gains and losses

Year ended 31 December 2007

		2007 £'000	2006 £'000
Profit for financial year		8,020	4,338
Actuarial (losses)/gains on retirement benefit obligations (net of deferred taxation)	19	(12,354)	971
Tax on items in equity		(111)	(62)
Total recognised gains and losses for the year		(4,445)	5,247
Movements related to share based payments		8	288
Total losses and gains recognised since last annual financial statements		(4,437)	5,535

Haden Building Management Limited

Balance sheet

As at 31 December 2007

	Notes	2007 £'000	2006 £'000
Fixed assets			
Tangible assets	7	4,745	1,987
Fixed asset investments	8	3,395	3,395
		<u>8,140</u>	<u>5,382</u>
Current assets			
Stocks and work-in-progress	9	6,257	4,000
Debtors	10	36,571	27,477
Cash at bank and in hand		29,914	23,561
		<u>72,742</u>	<u>55,038</u>
Creditors Amounts falling due within one year	11	<u>(46,289)</u>	<u>(32,720)</u>
Net current assets		<u>26,453</u>	<u>22,318</u>
Total assets less current liabilities		<u>34,593</u>	<u>27,700</u>
Creditors Amounts falling due after more than one year	12	(3,000)	(3,000)
Provisions for liabilities	13	<u>(668)</u>	<u>(432)</u>
Net assets excluding pension liabilities		<u>30,925</u>	<u>24,268</u>
Retirement benefit obligations	19	<u>(25,543)</u>	<u>(14,361)</u>
Net assets including pension liabilities		<u>5,382</u>	<u>9,907</u>
Share capital and reserves			
Called up share capital	14	10,000	10,000
Share premium	15	5,000	5,000
Other Reserves	15	361	449
Profit and loss account	15	<u>(9,979)</u>	<u>(5,542)</u>
Total shareholders' funds	16	<u>5,382</u>	<u>9,907</u>

These financial statements were approved by the Board of Directors on 27 June 2008

Signed on behalf of the Board of Directors



K Craven

Director

27 June 2008

Notes to the accounts

Year ended 31 December 2007

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.

Basis of accounting

The accounts are prepared under the historical cost convention except for pension and share based payments which are recorded at fair value. 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. Hence investment in subsidiary has been recorded at cost less impairment, in any

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.

Notes to the accounts

Year ended 31 December 2007

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.

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.

Notes to the accounts

Year ended 31 December 2007

1. Accounting policies (continued)

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.

Share-based payments

Employee services received in exchange for the grant by Balfour Beatty plc of share options, performance share plan awards and deferred bonus plan awards since 7 November 2002 are charged in the income statement 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.

2. Turnover

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

	2007 £'000	2006 £'000
United Kingdom		
- Third parties	210,777	145,734
- Intragroup	3,288	2,312
	<u>214,065</u>	<u>148,046</u>

3. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging

	2007 £'000	2006 £'000
Depreciation	1,111	698
Operating lease rentals		
- plant and machinery	2,345	2,057
- other	783	616
Auditors' remuneration		
- for audit of annual accounts of company	76	80
Loss on disposal of fixed assets	1	41

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

Notes to the accounts

Year ended 31 December 2007

4. Net interest received

	2007 £'000	2006 £'000
Intragroup interest	(156)	(170)
Interest payable on bank loans and overdrafts	(1)	(24)
Interest receivable – External	1,715	1,001
	<u>1,558</u>	<u>807</u>

5. Information regarding directors and employees

	2007 £'000	2006 £'000
Directors' remuneration		
Emoluments	433	277
Company contributions to money purchase schemes	32	-
	<u>465</u>	<u>277</u>

No executive options relating to ordinary shares in Balfour Beatty plc, the ultimate parent company, were granted during the year (2006 nil) 8,430 executive options were exercised in the period (2006 15,799)

The above amounts do not include any gains made on the exercising of share options or the value of any shares or share options received under long term incentive schemes

The number of directors who exercised share options in the year were as follows -

	2007 No.	2006 No.
Exercised shares in Group Company	<u>1</u>	<u>2</u>

Pensions

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

	2007 No.	2006 No.
Defined benefit schemes	1	1
Defined contribution schemes	<u>1</u>	<u>1</u>

The emoluments of one director were paid by Balfour Beatty Group Limited and his interests will be disclosed in that company's accounts (2006 one)

Notes to the accounts

Year ended 31 December 2007

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

	2007 £'000	2006 £'000
Emoluments	269	154
Company contributions to money purchase schemes	32	-
	<u>301</u>	<u>154</u>

The above amounts do not include any gains made on the exercising of share options or the value of any shares or share options received under long term-incentive schemes

The accrued pension entitlement under the Company's defined benefit scheme of the highest paid director at 31 December 2007 was £nil (2006 £25,000 p a) and the accrued lump sum entitlement at 31 December 2007 was £nil (2006 £6,000)

	2007 No.	2006 No.
Average number of persons employed (including directors)		
Site management, operations and maintenance	5,127	3,224
Administration	377	422
	<u>5,504</u>	<u>3,646</u>

	£'000	£'000
Staff costs during the year (including directors)		
Wages and salaries	97,842	66,607
Social security costs	7,278	5,409
Other pension costs	5,540	6,058
Share-based payments	203	90
	<u>110,863</u>	<u>78,164</u>

Notes to the accounts
Year ended 31 December 2007

6. Taxation

	2007 £'000	2006 £'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	2,691	1,575
Adjustments in respect of prior years	(18)	(334)
Total current tax	2,673	1,241
Deferred tax	(5)	26
Deferred tax charge/(credit) on retirement obligations	518	(349)
Deferred tax on share based payments	(80)	19
Adjustments in respect of prior years	11	(149)
Effect of rate change	40	-
Tax on profit on ordinary activities	3,157	788

The current tax charge for the period is lower than the standard rate of corporation tax in the UK of 30% (2006 30%) The differences are explained below

	2007 £'000	2006 £'000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	11,177	5,126
Current tax at 30% (2006 30%)	3,353	1,538
<i>Effects of</i>		
UK dividend income	(331)	(331)
Expenses not deductible for tax purposes	146	45
Capital allowances for period in excess of depreciation	(66)	(8)
Other short term timing differences	76	(18)
Adjustments to tax charge in respect of previous years	(18)	(334)
Deferred tax credit in respect of retirement benefit obligations	(487)	349
Total current tax charge (see above)	2,673	1,241

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%

Notes to the accounts

Year ended 31 December 2007

7. Tangible fixed assets

	Leasehold Improvements £'000	Plant and equipment £'000	Total £'000
Cost			
At 1 January 2007	924	4,444	5,368
Additions	1,596	2,276	3,872
Disposals	(165)	(97)	(262)
At 31 December 2007	2,355	6,623	8,978
Depreciation			
At 1 January 2007	584	2,797	3,381
Charge for the year	201	912	1,113
Disposals	(165)	(96)	(261)
At 31 December 2007	620	3,613	4,233
Net book value			
At 31 December 2007	1,735	3,010	4,745
At 31 December 2006	340	1,647	1,987

8. Investments

	Associated and joint venture undertakings £'000
Cost	
At 1 January 2007 and 31 December 2007	9,430
Provision for impairment	
At 1 January 2007 and 31 December 2007	(6,035)
Net Book Value	
At 31 December 2006 and 31 December 2007	3,395

The investments above represent the following undertakings

Associated and Joint Venture Undertakings

	Country of incorporation and registration	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.

Notes to the accounts

Year ended 31 December 2007

8. Investments (continued)

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.

Subsidiary Undertakings

	Country of incorporation and registration	Holding (%)
New Start Ventures Limited	England and Wales	100.0

Haden Building Management acquired on 24 December 2007, a 100% subsidiary interest in New Start Ventures Limited for £1 from Birse Group plc, a Balfour Beatty Group Company. New Start Ventures Limited provides site surveying and document copying services. The year end for New Start Ventures is 31 December 2007.

9. Stocks and work-in-progress

	2007 £'000	2006 £'000
Raw materials and consumables	151	163
Long term contract balances	6,106	3,837
	<u>6,257</u>	<u>4,000</u>

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

10. Debtors

	2007 £'000	2006 £'000
Amounts falling due within one year		
Trade debtors	24,380	20,666
Amounts due from Balfour Beatty plc group undertakings	245	112
Amount due from associated undertakings	1,960	-
Amounts owed by joint arrangements	306	1,009
Other debtors	578	427
Prepayments and accrued income	8,543	4,562
Deferred Tax	559	701
	<u>36,571</u>	<u>27,477</u>

Notes to the accounts

Year ended 31 December 2007

10. Debtors (continued)

	2007 £'000	2006 £'000
The amount provided, which represents the deferred tax asset, is analysed as follows		
Accelerated capital allowances	178	251
Other timing differences	280	243
Share Based Payments	101	207
	<u>559</u>	<u>701</u>
Balfour Beatty pension fund (see note 19)	9,933	6,154
Deferred tax asset	<u>10,492</u>	<u>6,855</u>
	2007 £'000	2006 £'000
The deferred taxation asset comprises		
At 1 January	6,855	6,880
Deferred tax charged to the profit and loss account		
- Retirement obligation	(453)	349
- Share based payment	5	(19)
- Other	(36)	123
Deferred tax charged/(credited) to the statement of recognised gains and losses	<u>4,121</u>	<u>(478)</u>
At 31 December	<u>10,492</u>	<u>6,855</u>

Subsequent to balance sheet date tax rate has changed from 30% to 28% as announced in Finance Bill 2007. The deferred tax asset has been calculated at 28% as at 31 December 2007 as the new rate has been substantially enacted before year end.

11. Creditors: amounts falling due within one year

	2007 £'000	2006 £'000
Trade creditors	700	2,949
Amounts due to Balfour Beatty plc group undertakings	748	1,166
Corporation tax	1,671	597
Other taxation, social security and PAYE	6,943	4,436
Other creditors	1	1
Accruals and deferred income	33,730	22,696
Pre-contract costs recoveries deferred	<u>2,496</u>	<u>875</u>
	<u>46,289</u>	<u>32,720</u>

Notes to the accounts

Year ended 31 December 2007

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

	2007 £'000	2006 £'000
Balfour Beatty Group loan	3,000	3,000

The group loan is repayable to Balfour Beatty plc by 31 October 2009. The interest rate on the loan is 6.75% p.a.

13. Provisions for liabilities

	Redundancy and reorganisation £'000	Other Contract Provisions £'000	Others £'000	Total £'000
At 1 January 2007	117	-	315	432
Utilised during the period	(146)	-	-	(146)
Charged to the profit and loss account	259	108	15	382
At 31 December 2007	230	108	330	668

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

14. Called up share capital

	2007 £'000	2006 £'000
Authorised		
ordinary shares of £1 each	10,000	10,000
Allotted, called-up and fully-paid		
ordinary shares of £1 each	10,000	10,000

15. Profit and loss account

	2007 £'000
At 1 January 2007	(5,542)
Retained profit for the year	8,020
Other recognised gains/ losses for the year	
- Actuarial loss (net of taxation)	(12,354)
- Movements relating to share-based payments	(103)
Balance at December 2007	(9,979)

Notes to the accounts

Year ended 31 December 2007

15. Profit and loss account (continued)

	2007 £'000	2006 £'000
Profit and loss reserve excluding pension deficit	15,564	8,819
Amount relating to defined benefit pension scheme liability net of tax	(25,543)	(14,361)
Balance at December 2007	<u>(9,979)</u>	<u>(5,542)</u>

16. Reconciliation of movements in shareholders' funds

	2007 £'000	2006 £'000
Profit for the financial year	8,020	4,338
Other recognised gains and losses for the year		
- actuarial gains and losses on retirement benefit obligations	(16,586)	1,387
Tax on items in equity	4,121	(478)
	<u>(4,445)</u>	<u>5,247</u>
Movements relating to share-based payments	(80)	640
Net (decrease)/ increase in shareholders' funds	<u>(4,525)</u>	<u>5,887</u>
Opening shareholders' funds	9,907	4,020
Closing shareholders' funds	<u>5,382</u>	<u>9,907</u>

17. Guarantees and commitments

a) Operating leases

The minimum annual rentals under operating leases are as follows

	2007		2006	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Operating leases which expire				
Within 1 year	1,379	650	582	547
Between 2 and 5 years	4,158	1,550	1,924	1,603
After 5 years	1,053	-	284	2
	<u>6,590</u>	<u>2,200</u>	<u>2,790</u>	<u>2,152</u>

Notes to the accounts

Year ended 31 December 2007

b) Capital commitments

	2007 £'000	2006 £'000
Contracted for but not provided	93	134

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

18. Contingent liabilities

In the ordinary course of business the Company receives certain claims against the company in respect of work performed to date. The company takes legal advice as to the likelihood of success of claims and actions and no provisions is made where the directors consider, based on that advice, that the action is unlikely to succeed or a sufficiently reliable estimate of the potential obligation cannot be made. At this time, the directors do not consider there to be a need for further disclosure or provision in the financial statements in relation to claims received, as current assessments of these claims indicate that the chances of any significant outflow is considered to be remote.

19. Pensions

(a) Certain employees of the Company and its agency companies 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 deferred members post-retirement and by 2.4% per annum for pensioners, widows and dependants. A formal valuation of the Balfour Beatty Pension Fund at 31 March 2007 is being prepared but has not been finalised.

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

The latest actuarial funding valuations of the Balfour Beatty Pension Fund and the Railways Pension Scheme have been updated by the actuaries to 31 December 2007 on the basis prescribed by FRS 17. In particular, scheme liabilities have been discounted using the rate of return on a high quality corporate bond rather than the expected rate of return on the assets in the scheme used in the funding valuations.

Balfour Beatty Pension Fund

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.

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Year ended 31 December 2007

19. Pensions (continued)

	2007 %	2006 %	2005 %
The principal assumptions used by the actuaries were			
Inflation rate	3.35	3.10	2.80
Discount rate	5.85	5.15	4.80
Rate of increase in salaries	4.85	4.60	4.30
Rate of increase in pensions in payment	3.35	3.10	2.80

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 07 %	Value at 31 Dec 07 £'000	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
Equities	8.25	102,668	8.15	78,815	8.10	79,340
Bonds	5.47	159,514	5.05	104,170	4.50	113,641
Property	6.40	488	-	-	-	-
Other assets	4.40	3,108	4.10	2,827	3.80	5
Total market value of assets	6.53	265,778	6.35	185,812	5.98	192,986
Present value of scheme liabilities		(301,254)		(206,327)		(213,725)
Deficit in scheme		(35,476)		(20,515)		(20,739)
Related deferred tax asset		9,933		6,154		6,221
Net pension liability		(25,543)		(14,361)		(14,518)

19. Pensions (continued)

	2007 £'000	2006 £'000
At 1 January	(20,515)	(20,738)
Current service cost	(4,796)	(5,180)
Contributions paid	5,189	2,576
Other Finance income	1,232	1,440
Actuarial (loss)/ gain	(16,586)	1,387
At 31 December	(35,476)	(20,515)

	2007		2006		2005		2004		2003	
	Amount £'000	%	Amount £'000	%	Amount £'000	%	Amount £'000	%	Amount £'000	%
Actual return less expected return on pension scheme assets	3,249	1.2	(13,065)	(7.0)	(1,248)	(0.6)	5,184	2.8	10,685	6.1
Experience gains and losses arising on scheme liabilities	8,188	(2.7)	9,552	(4.6)	17,539	8.2	(7,509)	(3.6)	2,198	1.1
Changes in assumptions underlying the present value of scheme liabilities	(28,023)	9.3	4,900	(2.4)	(15,670)	(7.3)	724	0.4	(17,634)	(9.1)
Total actuarial (loss)/gain	(16,586)	5.5	1,387	(0.7)	621	(0.3)	(1,601)	(0.8)	(4,751)	(2.5)

	2007 £'000	2006 £'000
Profit and loss account		
Charge to operating profit		
Defined benefit schemes - current service cost	(4,796)	(5,180)
Other finance income - expected return on pension scheme assets	11,616	11,340
- interest on pension scheme liabilities	(10,384)	(9,900)
	<u>(3,564)</u>	<u>(3,740)</u>
Defined contribution schemes - Balfour Beatty Pension Fund	(578)	(735)
- Small contributions to other pension schemes	(166)	(143)
	<u>(4,308)</u>	<u>(4,618)</u>
Charge to profit on ordinary activities before taxation	(4,308)	(4,618)

Notes to the accounts

Year ended 31 December 2007

19. Pensions (continued)

	2007 £'000	2006 £'000
Statement of total recognised losses and gains		
Actual return less expected return on pension scheme assets	3,249	(13,065)
Experience gains and losses arising on scheme liabilities	8,188	9,552
Changes in assumptions underlying the present value of scheme liabilities	(28,023)	4,900
	(16,586)	1,387
Taxation	4,232	(416)
Total recognised (losses)/gains on retirement benefit obligations	(12,354)	971

20. Share based payments

Certain employees of the Company are participants in four equity-settled share-based payment arrangements operated by the Company's ultimate parent, Balfour Beatty plc, namely the savings-related share option scheme, the executive share option scheme, the performance share plan and the deferred bonus plan. The Company recognised total expenses related to equity-settled share-based payment transactions (since 7 November 2002) of £203k in 2007 (2006: £90k).

(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, dependent upon their entering into a contract to make monthly contributions to a savings account over the relevant period. These savings are used to fund the option exercise. This scheme is open to all employees based in the UK and performance conditions are not applied to the exercise of SAYE options. Employees normally have a period of six months after completion of the savings contributions during which to exercise the SAYE options, failing which they lapse. On 2 May 2007, options were granted over 2,500,148 shares at 389p per share, and these are normally exercisable in the periods from July 2010 to December 2010 and from July 2012 to December 2012 depending upon the length of savings contract chosen by the participant. The information in relation to SAYE options granted to employees of the Company since 7 November 2002 was:

Notes to the accounts

Year ended 31 December 2007

20. Share based payments (continued)

	SAYE options 2007 number	Weighted average exercise price 2007 pence	SAYE options 2006 number	Weighted average exercise price 2006 pence
Outstanding at 1 January	444,756	241 1	401,571	202 2
Granted during the year	209,935	389 0	147,384	305 0
Transferred during the year	-	189 2	(3,274)	196 2
Forfeited during the year	(48,682)	258 5	(38,703)	217 4
Exercised during the year	(65,878)	210 1	(62,222)	138 2
Expired during the year	<u>(4,457)</u>	133 0	<u>-</u>	-
Outstanding at 31 December	<u>535,674</u>	290 5	<u>444,756</u>	244 0
Exercisable at 31 December	4,286	210 0	4,599	133 0

The weighted average share price at the date of exercise for those performance share awards exercised during the year by all participants was 450 0p (2006 354 1p). Those SAYE options granted to employees of the Company which were outstanding at 31 December 2007 had a weighted average remaining contractual life of 2.7 years (2006 2.8 years).

The principal assumptions used by the consultants in the stochastic model for the SAYE options granted in 2007, including expected volatility determined from the 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
5 April 2007 -3 year	389 0	484 25	1 86	21 3	3 25	5 35	141 9
5 April 2007 -5 year	389 0	484 25	1 86	21 3	5 25	5 27	162 2

Notes to the accounts

Year ended 31 December 2007

20. Share based payments (continued)

(b) Executive share options

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

	Executive options 2007 number	Weighted average exercise price 2007 pence	Executive options 2006 number	Weighted average exercise price 2006 pence
Outstanding at 1 January	123,000	240.3	189,000	216.8
Granted during the year	-	-	-	-
Transferred during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	(80,000)	240.1	(66,000)	173.0
Expired during the year	-	-	-	-
Outstanding at 31 December	<u>43,000</u>	<u>240.5</u>	<u>123,000</u>	<u>240.3</u>
Exercisable at 31 December	<u>43,000</u>	<u>240.5</u>	<u>29,000</u>	<u>173.0</u>

The weighted average share price at the date of exercise for those executive options exercised during the year by all participants was 473.6p (2006 386.5p). Those executive options granted to employees of the Company which were outstanding at 31 December 2007 had a weighted average remaining contractual life of 6.1 years (2006 7.1 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 17 April 2007 a maximum of 1,465,383 conditional shares were awarded which are normally exercisable in the period between April 2010 and July 2010.

50% of the 2007 award is based on an eps growth target. The maximum award of shares is made only where 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.

Notes to the accounts

Year ended 31 December 2007

20. Share based payments (continued)

(c) Performance share plan awards (continued)

The other 50% of that 2007 award is based on total shareholder return (TSR) performance measured against a group of UK listed companies operating in comparable markets to 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 2007 number	Conditional awards 2006 number
Outstanding at 1 January	-	202,555
Granted during the year	40,684	-
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	40,684	-
Exercisable at 31 December	Nil	Nil

Those performance share awards to employees of the Company which were outstanding at 31 December 2007 had a weighted average remaining contractual life of 2.5 years (2006 n/a) The weighted average share price at the date of exercise for those performance share plan awards exercised during the year by all participants was 474.2p (2006 365.0p)

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

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

Notes to the accounts

Year ended 31 December 2007

20. Share based payments (continued)

(d) Deferred bonus plan awards

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

	Conditional awards 2007 number	Conditional awards 2006 number
Outstanding at 1 January	3,105	-
Granted during the year	5,715	3,038
Granted in lieu of dividends	158	67
Forfeited during the year	-	-
Exercised during the year	-	-
Expired during the year	(2,881)	-
Outstanding at 31 December	6,097	3,105
Exercisable at 31 December	Nil	Nil

The weighted average share price at the date of exercise for those deferred bonus plan awards exercised during the year by all participants was 468 1p (2006 n/a). Those deferred bonus plan awards to employees of the Company which were outstanding at 31 December 2007 had a weighted average remaining contractual life of 2.2 years (2006 2.8 years).

As the awards are satisfied by the transfer of shares for no consideration, the fair values of the awards are the closing share price before award date, which was 477 0p, 443 0p and 504 5p for the awards made on 30 March 2007, 2 July 2007 and 12 December 2007 respectively.

Notes to the accounts

Year ended 31 December 2007

21. Related Party Transactions

During the year, the company carried out a number of transactions with related parties in the normal course of business on an arm's length basis. The names of the related parties and the total value of the transactions are shown below

	2007		2006	
	Value of transactions	Receivable/ (payable) at year end	Value of transactions	Receivable/ (payable) at year end
	£'000	£'000	£'000	£'000
Romec - sales	1,016	103	905	29
Romec - purchases	(541)	(7)	(866)	(31)
Loan to Romec	1,960	1,960	-	-
Monteray- sales	188	35	179	16

Transactions with Balfour Beatty group companies are covered by the exemption that is conferred by Financial Reporting Standard 8, Related Party Disclosures that allows the company not to disclose transactions with group companies

All the above amounts have arisen from transactions in the normal course of business. No amounts due from related parties have been provided for or written off as bad debts

22. 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 and registered in England and Wales.

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.