

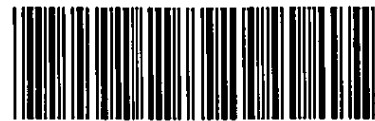
**Company Registration No. 215402**

**Balfour Beatty Engineering Services  
(HY) Limited**

**Report and Financial Statements**

**31 December 2010**

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# **Balfour Beatty Engineering Services (HY) Limited**

## **Report and financial statements 2010**

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# Balfour Beatty Engineering Services (HY) Limited

## Directors' report

The directors present their annual report and the audited financial statements for the year 31 December 2010

### Principal activities and business review

On 31 March 2010 the trade and assets of the company were transferred to Balfour Beatty Group Limited and the company became an agency company of Balfour Beatty Group Limited. As required by FRS18, 'Accounting Policies', the directors have prepared the financial statements on the basis that the company is no longer a going concern. No material adjustments arose as a result of ceasing to apply the going concern basis.

The ultimate parent company of both Balfour Beatty Engineering Services (HY) and Balfour Beatty Group Limited is Balfour Beatty plc, incorporated in Great Britain and listed on the London Stock Exchange.

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

Turnover for the year before tax was £49,064,000 (2009 £261,965,000). The profit before tax for the year was £1,435,000 (2009 loss of £4,299,000). The decrease in turnover on the prior year is as a consequence of the transfer of the trade to another Balfour Beatty group company from 31 March 2010 as discussed above and as all contracts entered into after 30 June 2009 were taken out in the name of another Balfour Beatty group company. The prior year result before tax was impacted by significant one off losses on certain contracts.

### Employment

On 1 August 2009, the employment contracts were transferred to Balfour Beatty Engineering Services Limited, an agency company of Balfour Beatty Group Limited. From this date, Balfour Beatty Engineering Services Limited has payroll and pension responsibility for the company's employees, and the employees and employment and pension costs have been recorded in Balfour Beatty Group Limited's financial statements.

### Principal risks and uncertainties

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

As stated in Balfour Beatty plc's Annual Report and financial statements for the year ended 31 December 2010, in the pursuit of opportunities the group is particularly sensitive to the potential for importing risks whether in winning new contracts, forming joint ventures, acquiring businesses or investment. The group has rigorous processes in place for managing the exposure within a specified opportunity and risk management framework that apply to all activities of the company, including:

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

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

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

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

# **Balfour Beatty Engineering Services (HY) Limited**

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

### **Principal risks and uncertainties (continued)**

*Customer requirements* The company has seen a continuing and increasing demand from customers for the provision of professional services, in the form of a contract or as component in a contract. The group has focused such skills in one operating company and is developing further the capabilities in selected operating companies.

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

### **Risk management**

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

Further details of these risk management processes are given in the parent company's annual report and financial statements 2010.

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

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

*Credit risk* The company's principal financial assets are intra-group balances and as such the risk is limited.

### **Payment of creditors**

The company's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction or a series of transactions, to seek to ensure that suppliers are made aware of the terms of payment, and to abide by the terms of payment as and when satisfied that the supplier has provided the goods or services in accordance with agreed terms. At 31 December 2010, the creditors days of the company were nil days (2009 34 days).

### **Financial statements and dividends**

The audited financial statements for the year to 31 December 2010 are set out on pages 8 to 22. The profit for the year after taxation was £1,122,000 (2009 loss £1,766,000). The dividend on ordinary shares paid during the year was £3,300,000 (2009 £nil).

# Balfour Beatty Engineering Services (HY) Limited

## Directors' report (continued)

### Directors

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

A G Currie  
J Watson (resigned 12 February 2010)  
M Harris (resigned 12 February 2010)  
R M Griffiths  
C Morgan (appointed 27 August 2010)  
A P Scott (appointed 21 December 2010)

### Key performance indicators

The company, as a UK subsidiary of Balfour Beatty plc, has participated in the review of key performance indicators relevant for external consideration of the company's performance and prospects as referred to in Balfour Beatty plc's annual report and financial statements for the year ended 31 December 2010

### Disclosure of information to auditors

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

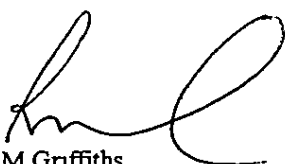
- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors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

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006

### Independent Auditors

Deloitte 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



R M Griffiths  
Director

21 September 2011

86 Station Road  
Redhill  
Surrey  
RH1 1PQ

# **Balfour Beatty Engineering Services (HY) Limited**

## **Directors' responsibilities statement**

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). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **Independent auditor's report to the members of Balfour Beatty Engineering Services (HY) Limited**

We have audited the financial statements of Balfour Beatty Engineering Services (HY) Limited for the year ended 31 December 2010 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 22. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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 auditor**

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Emphasis of matter – Financial statements prepared other than on a going concern basis**

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in note 1 to the financial statements, which explains that the financial statements have been prepared on a basis other than that of a going concern.

### **Opinion on other matter prescribed by the Companies Act 2006**

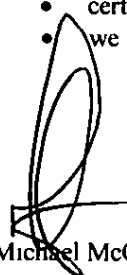
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Independent auditor's report to the members of Balfour Beatty Engineering Services (HY) Limited (continued)**

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Michael McGregor ACA (Senior statutory auditor)

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

Edinburgh, United Kingdom

29 September 2011



## Balfour Beatty Engineering Services (HY) Limited

### Profit and loss account Year ended 31 December 2010

	Notes	2010 £'000	2009 £'000
Turnover	2	49,064	261,965
Operating costs	3	(47,560)	(266,157)
<b>Operating profit/(loss)</b>		<u>1,504</u>	<u>(4,192)</u>
Loss on sale of discontinued operations		(313)	-
<b>Profit/(loss) on ordinary activities before interest</b>		<u>1,191</u>	<u>(4,192)</u>
Net interest payable	8	(69)	(107)
<b>Profit/(loss) on ordinary activities before taxation</b>	4	<u>1,122</u>	<u>(4,299)</u>
Tax credit on profit/(loss) on ordinary activities	9	5	2,533
<b>Profit/(loss) for the financial year</b>	18,19	<u><u>1,127</u></u>	<u><u>(1,766)</u></u>

All results in the current and preceding year arise from discontinued operations

The accompanying notes form an integral part of this profit and loss account

There are no recognised gains or losses in 2009 or 2010 other than the results for those financial years. Accordingly no Statement of Total Recognised Gains and Losses is given

# Balfour Beatty Engineering Services (HY) Limited

## Balance sheet 31 December 2010

	Notes	2010 £'000	2009 £'000
<b>Fixed assets</b>			
Tangible fixed assets	10	-	1,265
Investments	11	-	13
		<u>-</u>	<u>1,278</u>
<b>Current assets</b>			
Stocks	12	-	281
Debtors			
- due within one year	13	15,057	114,460
- due after more than one year	13	-	587
Cash at bank and in hand	14	-	10,523
		<u>15,057</u>	<u>125,851</u>
<b>Creditors: amounts falling due within one year</b>	15	-	(107,256)
<b>Net current assets</b>		<u>15,057</u>	<u>18,595</u>
<b>Total assets less current liabilities</b>		<u>15,057</u>	<u>19,873</u>
<b>Creditors: amounts falling due after more than one year</b>	16	-	(2,643)
<b>Net assets</b>		<u>15,057</u>	<u>17,230</u>
<b>Share capital and reserves</b>			
Called up share capital	17	15,000	15,000
Profit and loss account	18	57	2,230
<b>Shareholders' funds</b>	19	<u>15,057</u>	<u>17,230</u>

The financial statements of Balfour Beatty Engineering Services (HY) Limited, Company Number 215402 were approved by the Board of Directors on 27<sup>th</sup> September 2011

Signed on behalf of the Board of Directors



R M Griffiths  
Director



C Morgan  
Director

# **Balfour Beatty Engineering Services (HY) Limited**

## **Notes to the financial statements Year ended 31 December 2010**

### **1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable United Kingdom law and accounting standards, all of which have been applied consistently throughout the current and prior year

#### **Basis of accounting**

The financial statements have been prepared under the historical cost convention. Consolidated financial statements have not been prepared as afforded by section 400 of the Companies Act 2006, since the company is a wholly owned subsidiary undertaking of Balfour Beatty plc, a company registered in England and Wales, which has prepared consolidated financial statements which include the company and its subsidiary undertakings.

#### **Going concern**

On 31 March 2010 the trade and assets of the company were transferred to another Balfour Beatty group company and the company became an agency company. As required by FRS18, 'Accounting Policies', the directors have prepared the financial statements on the basis that the company is no longer a going concern. No material adjustments arose as a result of ceasing to apply the going concern basis.

#### **Investments**

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

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

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

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

Pre-contract costs are expensed as incurred until it is virtually certain that a contract will be awarded, from which time further pre-contract costs are recognised as an asset and charged as an expense over the period of the contract. Amounts recovered in respect of costs that have been written-off are deferred and amortised over the life of the contract.

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

#### **Turnover**

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

# Balfour Beatty Engineering Services (HY) Limited

## Notes to the financial statements (continued)

Year ended 31 December 2010

### 1. ACCOUNTING POLICIES (CONTINUED)

#### Tangible fixed assets

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

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

Depreciation is charged at appropriate annual rates as follows

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

#### Operating leases

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

#### Stocks

Stocks are valued at the lower of cost and net realisable value. Net realisable value is based on estimated selling price, less the estimated cost of disposal. Provision is made for obsolete or defective items where appropriate.

#### Pensions

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

#### 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 the obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise for the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

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

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

# Balfour Beatty Engineering Services (HY) Limited

## Notes to the financial statements (continued)

Year ended 31 December 2010

### 1. ACCOUNTING POLICIES (CONTINUED)

#### Cash flow statement

Under the provisions of Financial Reporting Standard No 1 "Cash Flow Statements" (Revised), the company has not prepared a cash flow statement because its ultimate parent company, Balfour Beatty plc, which is registered in England and Wales, has prepared consolidated financial statements including the company

#### 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

### 2. TURNOVER AND PROFIT

Turnover and profit on ordinary activities before taxation relate to the company's principal activities of design, management, construction and commissioning of mechanical, electrical, plumbing and fire protection engineering services All turnover relates to sales within the United Kingdom

### 3. OPERATING COSTS

	2010 £'000	2009 £'000
Distribution costs	44,013	251,390
Administrative expenses	3,547	14,767
	<u>47,560</u>	<u>266,157</u>

### 4. PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit/(loss) on ordinary activities before taxation is stated after charging

	2010 £'000	2009 £'000
Depreciation of owned assets	133	1,010
Operating lease rentals		
- plant and equipment	424	2,590
- other	325	1,728
Auditor's remuneration in respect of the audit of the company's annual financial statements	15	83
	<u>15</u>	<u>83</u>

There were no non-audit fees incurred in the year (2009 £nil)

## Balfour Beatty Engineering Services (HY) Limited

### Notes to the financial statements (continued)

Year ended 31 December 2010

#### 5. INFORMATION REGARDING EMPLOYEES AND DIRECTORS

On 1 August 2009, the employment contracts were transferred to Balfour Beatty Engineering Services Limited, an agency company of Balfour Beatty Group Limited. From this date, Balfour Beatty Engineering Services Limited has payroll and pension responsibility for the company's employees, and the employees and employment and pension costs have been recorded in Balfour Beatty Group Limited's financial statements.

Employee costs during the year (including directors) amounted to

	2010 £'000	2009 £'000
Wages and salaries	-	52,334
Social security costs	-	4,960
Other pension costs	-	3,305
Share-based payments (note 7)	-	67
	<u>-</u>	<u>60,666</u>
	<u>-</u>	<u>60,666</u>
	2010 No.	2009 No.
Average number of persons employed		
Operational	-	1,502
Administrative	-	176
	<u>-</u>	<u>1,678</u>
	<u>-</u>	<u>1,678</u>

## Balfour Beatty Engineering Services (HY) Limited

### Notes to the financial statements (continued) Year ended 31 December 2010

#### 5. INFORMATION REGARDING EMPLOYEES AND DIRECTORS (CONTINUED)

On 1 August 2009, the employment contracts were transferred to Balfour Beatty Engineering Services. The remuneration of the directors up to the date of transfer, excluding the emoluments of R M Griffiths and C Morgan which were met by Balfour Beatty Group Limited, is as follows

The remuneration of the directors was as follows:

	2010 £'000	2009 £'000
Emoluments	-	947

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

#### Pensions

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

	2010 No.	2009 No.
Defined benefit schemes	-	2

#### Share options

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

	31 Dec 2010 No.	31 Dec 2009 No.
Exercised shares in Group Company	-	1

Emoluments of the highest paid director are as follows:

	2010 £'000	2009 £'000
Aggregate emoluments excluding pension contributions	-	256

#### 6. DIVIDENDS

	2010 £'000	2009 £'000
Dividends paid per share in year of 22p (2009 nil)	3,300	-

# Balfour Beatty Engineering Services (HY) Limited

## Notes to the financial statements (continued) Year ended 31 December 2010

### 7. SHARE BASED PAYMENTS

Certain employees of the company were 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 of £nil in the year to 31 December 2010 (2009 £67,000).

In October 2009, Balfour Beatty plc completed a 3 for 7 rights issue at a subscription price of 180p per new ordinary share. Following the rights issue, adjustments were made to the number of shares under option and the exercise prices in accordance with the HMRC approved standard formula. The adjustment factor was calculated by dividing the share price immediately before the shares were quoted ex-rights (316 0p) with the theoretical ex-rights price (275 2p), giving an adjustment factor of 1.14826. The same adjustment factor was used to adjust the awards under the performance share plan and the deferred bonus plan. Numbers and prices prior to the rights issue have been adjusted onto a comparable basis.

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

Balfour Beatty plc operates an HMRC approved savings-related share option scheme ("SAYE") under which employees are granted an option to purchase ordinary shares in Balfour Beatty plc 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 18 May 2009, options were granted over 2,883,694 (adjusted) ordinary shares at 249 0p (adjusted) per share, and these are normally exercisable in the periods from July 2012 to December 2012 and from July 2014 to December 2014 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

	2010		2009	
	SAYE options Number	Weighted average exercise price pence	SAYE options Number (adjusted)	Weighted average exercise price pence (adjusted)
Outstanding at 1 January	-	-	1,407,628	282.3
Granted during the year	-	-	360,851	249.0
Transferred during the year	-	-	(1,181,218)	284.1
Forfeited during the year	-	-	(316,185)	293.0
Exercised during the year	-	-	(262,807)	219.5
Expired during the year	-	-	(8,269)	138.1
Outstanding at 31 December	-	-	-	-
Exercisable at 31 December	-	-	-	-

The weighted average share price at the date of exercise for those SAYE options exercised during the year by all participants was nil (2009 adjusted 272.3p).

The principal assumptions used by the consultants in the stochastic model for the SAYE options granted in 2009, including expected volatility determined from the historic weekly share price movements over the three-year period immediately preceding the invitation date, were



# Balfour Beatty Engineering Services (HY) Limited

## Notes to the financial statements (continued) Year ended 31 December 2010

### 7. SHARE BASED PAYMENTS (CONTINUED)

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

Invitation date	Exercise price pence (adjusted)	Closing share price before invitation date pence (adjusted)	Expected dividend yield %	Expected volatility of shares %	Expected term of options years	Risk-free interest rate %	Calculated fair value of an option pence (adjusted)
9 April 2009 3 year savings contract	249.0	305.7	3.65	33.0	3.25	2.20	77.7
9 April 2009 5 year savings contract	249.0	305.7	3.65	33.0	5.25	2.73	85.6

#### (b) Executive share options

Balfour Beatty plc has not granted any executive share options in 2010, but has continued to operate a scheme under which employees were last granted options in 2004 to purchase ordinary shares in Balfour Beatty plc, which are exercisable between three and ten years after the date of grant. Performance conditions have been met for all executive options granted since 7 November 2002, as earnings per share before goodwill amortisation and exceptional items ("eps") for the last year of the minimum three-year performance period have grown from their respective fixed base eps by a total of at least 3% per annum plus the increase in RPI over the relevant period.

The information in relation to executive options granted to employees of the Company since 7 November 2002 was

	2010		2009	
	Executive options number (adjusted)	Weighted average exercise price pence (adjusted)	Executive options number (adjusted)	Weighted average exercise price pence (adjusted)
Outstanding at 1 January	-	-	17,223	227.3
Forfeited during the year	-	-	(17,223)	227.3
Outstanding at 31 December	-	-	-	-
Exercisable at 31 December	-	-	-	-

The weighted average share price at the date of exercise for those executive options exercised during the year by all participants was nil (2009 adjusted 286.1p)

# Balfour Beatty Engineering Services (HY) Limited

## Notes to the financial statements (continued)

Year ended 31 December 2010

### 7. SHARE BASED PAYMENTS (CONTINUED)

#### (c) Performance share plan awards

Balfour Beatty plc operates a performance share plan under which key senior employees are granted conditional awards of ordinary shares in Balfour Beatty plc, which are exercisable on 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.

The information in relation to performance share awards granted to employees of the Company was

	Conditional awards	
	2010	2009
	Number	Number (adjusted)
Outstanding at 1 January	-	73,623
Granted during the year	-	20,492
Transferred during the year	-	(52,506)
Exercised during the year	-	(28,960)
Expired during the year	-	(12,649)
	<u>-</u>	<u>-</u>
Outstanding at 31 December	-	-
	<u>-</u>	<u>-</u>
Exercisable at 31 December	-	-
	<u>-</u>	<u>-</u>

#### (d) Deferred bonus plan awards

Balfour Beatty plc operates a deferred bonus plan under which one-third of the annual bonus of key senior employees is deferred in the form of ordinary shares in Balfour Beatty plc, which will normally be released after three years, providing the individual is still in the Balfour Beatty Group's employment at that time.

The information in relation to deferred bonus plan awards granted to employees of the Company was

	Conditional awards	
	2010	2009
	Number	Number (adjusted)
Outstanding at 1 January	-	47,526
Granted during the year	-	915
Granted in lieu of dividends	-	523
Forfeited during the year	-	(29,957)
Exercised during the year	-	(5,508)
Expired during the year	-	(17,499)
	<u>-</u>	<u>-</u>
Outstanding at 31 December	-	-
	<u>-</u>	<u>-</u>
Exercisable at 31 December	-	-
	<u>-</u>	<u>-</u>

The weighted average share price at the date of exercise for those deferred bonus plan awards exercised during the year by all participants was nil (2009 285.6p)

# Balfour Beatty Engineering Services (HY) Limited

## Notes to the financial statements (continued) Year ended 31 December 2010

### 8. NET INTEREST PAYABLE

	2010 £'000	2009 £'000
Bank interest payable	(69)	(246)
Bank interest receivable	-	7
Group interest receivable	-	132
	<u>(69)</u>	<u>(107)</u>

### 9. TAX CREDIT ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	2010 £'000	2009 £'000
The tax charge is based on the profit/(loss) for the year and comprises		
UK corporation tax		
Current tax on income for the year	328	(1,050)
Adjustments in respect of prior years	7	(1,135)
Total current tax	<u>335</u>	<u>(2,185)</u>
Deferred tax (note 13)	<u>(340)</u>	<u>(348)</u>
Tax on profit/(loss) on ordinary activities	<u>(5)</u>	<u>(2,533)</u>

The differences are explained below

	2010 £'000	2009 £'000
<i>Current tax reconciliation</i>		
Profit/(loss) on ordinary activities before tax	<u>1,122</u>	<u>(4,299)</u>
Tax on ordinary activities at 28%	314	(1,204)
<i>Effects of</i>		
Expenses not deductible for tax purposes	38	206
Depreciation in excess of capital allowances	(12)	21
Adjustments to tax charge in respect of previous years	7	(1,135)
Other	<u>(12)</u>	<u>(73)</u>
	<u>335</u>	<u>(2,185)</u>

# Balfour Beatty Engineering Services (HY) Limited

## Notes to the financial statements (continued) Year ended 31 December 2010

### 10. TANGIBLE FIXED ASSETS

	Short-term leasehold land and buildings £'000	Plant and Equipment £'000	Total £'000
<b>Cost</b>			
At 1 January 2010	1,873	3,318	5,191
Additions	-	16	16
Disposals	-	(33)	(33)
Transfer to group undertaking	(1,873)	(3,301)	(5,174)
At 31 December 2010	-	-	-
<b>Depreciation</b>			
At 1 January 2010	1,298	2,628	3,926
Charge for the year	95	38	133
Disposals	-	(20)	(20)
Transfer to group undertaking	(1,393)	(2,646)	(4,039)
At 31 December 2010	-	-	-
<b>Net book value</b>			
At 31 December 2009	575	690	1,265
At 31 December 2010	-	-	-

### 11. FIXED ASSET INVESTMENTS

	2010 £'000	2009 £'000
Subsidiary undertakings		
<b>Cost and net book value</b>		
At 1 January	13	13
Transfer of subsidiaries to group undertaking	(13)	-
At 31 December	-	13

In the current year the company's investments in Haden Airflow Limited and GN Haden Limited were transferred to another group undertaking at book value

### 12. STOCKS

	2010 £'000	2009 £'000
Raw materials and consumables	-	281

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

## Balfour Beatty Engineering Services (HY) Limited

### Notes to the financial statements (continued) Year ended 31 December 2010

#### 13. DEBTORS

	2010 £'000	2009 £'000
Amounts falling due within one year		
Trade debtors	-	21,524
Amounts recoverable on contracts	-	17,689
Amounts due from other group undertakings	-	4,621
Loan to group undertaking	15,057	62,037
Other debtors	-	992
Prepayments and accrued income	-	1,264
Corporation tax receivable	-	5,940
Deferred tax asset	-	393
	<u>15,057</u>	<u>114,460</u>
	<b>2010</b> <b>£'000</b>	<b>2009</b> <b>£'000</b>
Amounts falling due after more than one year		
Contract retentions	-	587
	<u>-</u>	<u>587</u>

The provision for deferred tax is based on a corporation tax rate of 27% (2009 28%)

	2010 £'000	2009 £'000
The deferred tax recognised comprises		
Timing differences relating to capital allowances	-	303
Other timing differences	-	90
	<u>-</u>	<u>393</u>
Deferred tax	<u>-</u>	<u>393</u>
		<b>£'000</b>
At start of year		393
Credited to the profit and loss account (note 9)		(340)
Transfer to group undertaking		(53)
		<u>-</u>
At end of year		<u>-</u>

#### 14. CASH AT BANK AND IN HAND

Cash at bank and in hand includes the company's share of amounts held by contracting joint arrangements of £nil (2009 £26,872,000)

# Balfour Beatty Engineering Services (HY) Limited

## Notes to the financial statements (continued) Year ended 31 December 2010

### 15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2010 £'000	2009 £'000
Advance payments from customers	-	13,555
Trade creditors	-	74,793
Amounts owed to other group undertakings	-	12,915
Social security and other taxes	-	971
Other creditors	-	1,704
Accruals and deferred income	-	3,318
	<u>-</u>	<u>107,256</u>

### 16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2010 £'000	2009 £'000
Advance payments from customers	-	2,643
	<u>-</u>	<u>2,643</u>

### 17. CALLED UP SHARE CAPITAL

	2010 £'000	2009 £'000
<b>Allotted, called up and fully paid:</b>		
15,000,000 ordinary shares of £1 each	15,000	15,000
	<u>15,000</u>	<u>15,000</u>

### 18. PROFIT AND LOSS ACCOUNT

	2010 £'000
At 1 January	2,230
Profit for the financial year	1,127
Dividend paid	(3,300)
At 31 December	<u>57</u>

## Balfour Beatty Engineering Services (HY) Limited

### Notes to the financial statements (continued) Year ended 31 December 2010

#### 19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2010 £'000	2009 £'000
Profit/(loss) for the financial year	1,127	(1,766)
Dividends paid	(3,300)	-
Movements relating to share based payments	-	198
Net reduction to shareholders' funds	<u>(2,173)</u>	<u>(1,568)</u>
Opening shareholders' funds	<u>17,230</u>	<u>18,798</u>
Closing shareholders' funds	<u><u>15,057</u></u>	<u><u>17,230</u></u>

#### 20. LEASING COMMITMENTS

Annual commitments under non-cancellable operating leases are as follows

	2010		2009	
	Short-term leasehold land and buildings £'000	Other £'000	Short-term leasehold land and buildings £'000	Other £'000
Date of expiry				
Within one year	-	-	53	216
Between two and five years	-	-	1,209	861
After more than five years	-	-	196	3
	<u>-</u>	<u>-</u>	<u>1,458</u>	<u>1,080</u>
	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>1,458</u></u>	<u><u>1,080</u></u>

#### 21. RELATED PARTY TRANSACTIONS

As a subsidiary of Balfour Beatty plc, the company has taken advantage of the exemption in FRS 8 "Related Party Transactions" not to disclose transactions with other wholly owned members of the group headed by Balfour Beatty plc

#### 22. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The company is a wholly owned subsidiary undertaking of Balfour Beatty Group Limited, its immediate parent, which is incorporated in Great Britain and registered in England and Wales. Its ultimate parent company is Balfour Beatty plc, incorporated in Great Britain.

The largest and smallest group in which the results of Balfour Beatty Engineering Services (HY) Limited are consolidated is that headed by Balfour Beatty plc. The consolidated financial statements of Balfour Beatty plc are available to the public and may be obtained from 130 Wilton Road, Victoria SW1V 1LQ.