

BIRSE CIVILS LIMITED

Report and Financial Statements

Year ended 31 December 2008



BIRSE CIVILS LIMITED

REPORT AND FINANCIAL STATEMENTS 2008

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BIRSE CIVILS LIMITED

REPORT AND FINANCIAL STATEMENTS 2008

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

R Adams
T M Thrall
M Farrah

SECRETARY

T M Thrall

REGISTERED OFFICE

3 Grimston Grange
Sherburn Road
Tadcaster
North Yorkshire
LS24 9BX

BANKERS

HSBC plc
Level 38
8 Canada Square
London
E14 5HQ

AUDITORS

Deloitte LLP
Chartered Accountants and Registered Auditors
Leeds

BIRSE CIVILS LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2008.

ACTIVITIES AND FUTURE PROSPECTS

The principal activity of the Company is Civil Engineering and the provision of related professional services. These activities are fulfilled through a number of regional business units.

The results for the year are set out in the profit and loss account on page 6.

In 2008 the Company has continued to develop its markets with turnover growing from £148m in the 35 week period to 31 December 2007 to £251m in 2008. On a like for like basis this equates to a 12% increase. During the year, the Company was successful in winning orders in a new market, Nuclear Decommissioning, which the Directors believe will offer good opportunities for growth in the future.

At 31 December 2008 the company had cash at bank and in hand of £32m (2007: £44m) and net assets before the pension liability of £8.6m (2007: £4.0m).

Our strategic business plan ensures that we are clear about our mission and the values and behaviours needed to achieve it.

Our mission sets out the purpose of the five main aims of the business, these are:

- Safe operations
- Customer expectations exceeded
- Industry leading profits and controlled turnover growth
- Successful employees
- Recognition and respect within the industry.

As a business we have devised a number of key performance indicators (KPI's) to measure our success in achieving each of these aims. The KPI's are reported at individual project, regional business and company levels and form a key part of our management culture.

The following non-financial indicators are utilised.

K.P.I.	Actual	Target
Accident Frequency Rate	0.12	0.0
% of customers who would recommend Birse to others	95.5%	94%
Staff turnover	10.0%	12.0%
Recognised Industry Awards	33	17

PRINCIPAL UNCERTAINTY

Because the Company generates such a large proportion of its revenue from public sector organisations the major uncertainty we face remains the Government's commitment to investment in public infrastructure. Work for private developers constitutes only a minor (less than 5%) proportion of our total business. Consequently, we do not believe the current economic uncertainties in the Housing and Commercial Property markets will impact adversely on the business. At the end of December 2008 the Company's order book was valued at £297m of which £201m was expected to be completed in 2009. The directors are of the opinion that turnover for the year to 31 December 2009 should exceed £265m and that public sector spending in our chosen markets will continue at current levels.

GOING CONCERN

The directors have considered the Going Concern assumption given the current economic climate and have formed the conclusion that there is a reasonable expectation that the company will continue to operate in the foreseeable future. The directors have considered the forecast trading performance, the available cash and the letter of continuing financial support from the ultimate parent company in making this assessment.

DIRECTORS

The present membership of the board is set out on page 1.

BIRSE CIVILS LIMITED

DIRECTORS' REPORT (continued)

DIVIDEND

The directors do not recommend payment of a final dividend (2007: £nil).

TAXATION STATUS

As far as the directors are aware, the company is not a close company for taxation purposes.

TREASURY

The company's treasury operates procedures designed to reduce or eliminate financial risk. The policies are approved by the Board and the use of financial instruments is strictly controlled.

The company's principal financial instruments comprise borrowings, cash and various items, such as trade debtors and trade creditors that arise directly from its operations. The company does not use interest rate swaps to manage the interest rate risks arising from the company's operations.

SUPPLIER PAYMENT POLICY

Where appropriate to the circumstances prevailing, it is the policy of the company to place orders with suppliers in documented form and process such orders for payment in accordance with terms and conditions set out therein.

The trade creditors at 31 December 2008 represent 93 creditor days (2007: 130 days) based on the total amounts invoiced by suppliers during the year.

EMPLOYEES

The Company has continued its policy regarding the employment of disabled persons. Full and fair consideration is given to the applications for employment made by disabled persons, having regard to their particular aptitudes and abilities.

Appropriate training is arranged for disabled persons and employees who become disabled, including retraining for alternative work, with the objective of promoting their career development within the organisation.

Employees are encouraged to discuss with management any matters about which they are concerned and factors affecting the Company. In addition, the Board takes account of employees' interests when making decisions, and the employees are informed of the Company's performance on a regular basis. Suggestions from employees aimed at improving the Company's performance are encouraged.

Full and fair consideration is given to all applicants for employment, irrespective of colour or creed.

AUDITORS

In the case of each of the persons who are directors of the company at the date when this report was approved:

- so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the company's auditors are unaware; and
- each of the directors has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information (as defined) 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 s234ZA of the Companies Act 1985.

A resolution to re-appoint Deloitte LLP as the Company's auditor will be proposed at the forthcoming Annual General Meeting.

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



A M Thrall
Director

29 OCTOBER 2009

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

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BIRSE CIVILS LIMITED

We have audited the financial statements of Birse Civils Limited for the year ended 31 December 2008 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet, the reconciliation of movements in shareholders' deficit and the related notes 1 to 20. 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 United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We 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.

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 2008 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 LLP

Deloitte LLP
Chartered Accountants and Registered Auditors
Leeds

30 October 2009

BIRSE CIVILS LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 31 December 2008

		Year ended 31 December 2008 £'000	35 weeks ended 31 December 2007 £'000
	Note		
TURNOVER – continuing operations	2	250,502	148,267
Cost of sales		(227,567)	(138,053)
GROSS PROFIT		22,935	10,214
Administrative expenses		(17,495)	(9,959)
Exceptional pension credit	18	5,143	-
OPERATING PROFIT - continuing operations	4	10,583	255
Net interest receivable	5	1,623	1,299
PROFIT ORDINARY ACTIVITIES BEFORE TAXATION		12,206	1,554
Tax on profit on ordinary activities	6	(3,146)	(239)
PROFIT FOR THE FINANCIAL YEAR/PERIOD	15	9,060	1,315

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Year ended 31 December 2008 £'000	35 weeks ended 31 December 2008 £'000
PROFIT FOR THE FINANCIAL YEAR/PERIOD	9,060	1,315
Actuarial losses on retirement benefit obligations	(2,212)	(968)
Tax on items in equity	619	(131)
TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR/PERIOD	7,467	216


BIRSE CIVILS LIMITED

BALANCE SHEET 31 December 2008

	Note	2008 £'000	2007 £'000
FIXED ASSETS			
Tangible assets	8	226	330
CURRENT ASSETS			
Debtors	9	50,229	37,596
Cash at bank and in hand		32,376	44,059
		<u>82,605</u>	<u>81,655</u>
CREDITORS: amounts falling due within one year	10	<u>(71,879)</u>	<u>(76,547)</u>
NET CURRENT ASSETS		<u>10,726</u>	<u>5,108</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>10,952</u>	<u>5,438</u>
CREDITORS: Amounts falling due after more than one year	11	<u>(2,384)</u>	<u>(1,472)</u>
NET ASSETS EXCLUDING RETIREMENT BENEFIT OBLIGATIONS		<u>8,568</u>	<u>3,966</u>
RETIREMENT BENEFIT OBLIGATIONS	18	<u>(11,937)</u>	<u>(14,842)</u>
NET LIABILITIES INCLUDING RETIREMENT BENEFIT OBLIGATIONS		<u>(3,369)</u>	<u>(10,876)</u>
SHARE CAPITAL AND RESERVES			
Called up share capital	14	5,000	5,000
Other reserves	7,15	70	30
Profit and loss account	15	<u>(8,439)</u>	<u>(15,906)</u>
EQUITY SHAREHOLDERS' DEFICIT		<u>(3,369)</u>	<u>(10,876)</u>

The financial statements of Birse Civils Limited (company number 637008) were approved by the Board of Directors on 29 October 2009.

Signed on behalf of the Board of Directors



R Adams
Director



T M Thrall
Director

BIRSE CIVILS LIMITED**RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' DEFICIT**
Year ended 31 December 2008

	Year ended 31 December 2008 £'000	35 weeks ended 31 December 2007 £'000
Profit for the financial year/period	9,060	1,315
Actuarial gains and losses on retirement benefit obligations	(2,212)	(968)
Tax on items in equity	619	(131)
Movement in other reserve (note 7)	40	30
Net addition to shareholders' funds	7,507	246
Opening shareholders' deficit	(10,876)	(11,122)
Closing shareholders' deficit	(3,369)	(10,876)

BIRSE CIVILS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2008

1. ACCOUNTING POLICIES

A summary of the principal accounting policies is set out below. All of these have been applied consistently throughout the current year and preceding period.

The financial statements are prepared under the historical cost convention in accordance with the reporting requirements of the Companies Act 1985, together with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below.

The directors have considered the Going Concern assumption given the current economic climate and have formed the conclusion that there is a reasonable expectation that the company will continue to operate in the foreseeable future. The directors have considered the forecast trading performance, the available cash and the letter of continuing financial support from the ultimate parent company in making this assessment.

Cash flow statement

The company is exempt from the requirement of FRS 1 (Revised) to prepare a cash flow statement, as it is a wholly owned subsidiary undertaking of Balfour Beatty plc which prepares publicly available consolidated financial statements.

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation less any provision for impairment in value.

Depreciation is provided on a straight line basis over the estimated useful lives of the computer equipment, office equipment and leased assets. The annual rates of depreciation are as follows:

Fixtures and fittings	20% - 33%
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Long term contracts

When the outcome of individual contracts can be foreseen with reasonable certainty and can be estimated reliably, margin is recognised by reference to the stage of completion. Full provision is made for all known or expected losses on individual contracts immediately once such losses are foreseen. Amounts recoverable on contracts are valued at anticipated net sales value of the work done after provision for anticipated future losses. Margin in respect of variations in contract work, claims and incentive payments is recognised if it is probable they will result in revenue. Cash received on account is deducted from amounts recoverable on contracts. Such amounts which have been received and exceed amounts recoverable are included in creditors as advance payments.

Pension costs

For defined benefit pension schemes the cost of providing benefits are 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 obligation, determined by discounting the estimated future cash flows using the rate of interest on high quality corporate bonds, less the fair value of the plan assets. Actuarial gains and losses are recognised in full outside the profit and loss account in the year 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 UK corporation tax and foreign tax is provided on 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 provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

BIRSE CIVILS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2008

1. ACCOUNTING POLICIES (continued)

Leases and hire purchase contracts

Fixed assets leased under finance leases or acquired under hire purchase contracts are capitalised at the total amount of instalments payable under the related agreement (excluding finance charges) and depreciated in accordance with the above policy. Finance charges are expensed to the profit and loss account over the period of the lease at the appropriate rate of charge on the remaining balance of the obligation. Operating lease rentals are written off as incurred.

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

Turnover, derived from the principal activity, is calculated on the basis of the value of work executed during the period within the United Kingdom excluding value added tax.

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	Year ended 31 December 2008 £'000	35 weeks ended 31 December 2007 £'000
Directors' emoluments		
Remuneration	479	365
Pension contributions	39	30
	<u>518</u>	<u>395</u>
Highest paid director		
Remuneration	242	193
Pension contributions	15	12
	<u>257</u>	<u>205</u>

The accrued pension of the highest paid director as at 31 December 2008 amounted to £82,400 (2007: £61,340). All directors are members of the Group's defined benefit pension scheme.

	Year ended 31 December 2008 No.	35 weeks ended 31 December 2007 No.
Average number of persons employed		
Production	609	577
Administration	243	315
	<u>852</u>	<u>892</u>

BIRSE CIVILS LIMITED

NOTES TO THE FINANCIAL STATEMENTS **Year ended 31 December 2008**

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

	Year ended 31 December 2008 £'000	35 weeks ended 31 December 2007 £'000
Staff costs during the year/period (including directors)		
Wages and salaries	33,110	19,948
Social security costs	3,820	1,911
Defined contribution pension costs	2,535	2,746
Share-based payments	40	30
	<u>39,505</u>	<u>24,635</u>

The defined benefit pension contributions are disclosed in note 18.

Of the 852 employees employed by the Company in the year, 108 are utilised by other Group companies and their attendant costs are not recognised in these financial statements. The adjusted information relating to employees and staff costs utilised by Birse Civils Limited is as follows:

	Year ended 31 December 2008 No.	35 weeks ended 31 December 2007 No.
Average number of persons employed		
Production	566	506
Administration	178	199
	<u>744</u>	<u>705</u>
	£'000	£'000
Staff costs during the year/period (including directors)		
Wages and salaries	29,654	16,965
Social security costs	3,484	1,567
Defined contribution pension costs	2,322	2,460
Share-based payments	40	30
	<u>35,500</u>	<u>21,022</u>

BIRSE CIVILS LIMITED

NOTES TO THE FINANCIAL STATEMENTS **Year ended 31 December 2008**

4. OPERATING PROFIT

	Year ended 31 December 2008 £'000	35 weeks ended 31 December 2007 £'000
Operating profit is after charging:		
Depreciation		
- on assets held under finance leases and hire purchase contracts	83	58
- Owned assets	101	220
Operating lease rentals:-		
- Land and buildings	491	136
- Plant and machinery	4,383	2,342
Fees payable to the company's auditors for the audit of the company's annual accounts	35	22
Other services pursuant to legislation - taxation	1	1
	<u> </u>	<u> </u>

5. NET INTEREST RECEIVABLE

	Year ended 31 December 2008 £'000	35 weeks ended 31 December 2007 £'000
Bank interest receivable	1,295	1,431
Finance charges payable under finance leases and hire purchase contracts	(7)	(132)
Pension scheme interest	335	-
	<u>1,623</u>	<u>1,299</u>

BIRSE CIVILS LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2008

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	Year ended 31 December 2008 £'000	35 weeks ended 31 December 2007 £'000
Corporation tax		
Corporation tax at 28.5% (2007: 30%)	(804)	-
Adjustments in respect of prior years	-	482
Deferred tax		
Pension scheme	(1,749)	-
Timing differences, origination and reversal	(577)	(564)
Adjustments in respect of prior years	(16)	(157)
Tax charge on profit for the year/period	(3,146)	(239)

Factors affecting tax (charge)/credit for the year/period

The tax assessed for the year/period is lower than the average rate of corporation tax of 28.5% (2007: 30%).
The differences are explained below:

	Year ended 31 December 2008 £'000	35 weeks ended 31 December 2007 £'000
Profit on ordinary activities before tax	12,206	1,554
Expected tax charge	(3,479)	(466)
Tax loss utilised	960	388
Expenses not deductible for tax purposes	(72)	(21)
Capital allowances in excess of depreciation	7	(26)
Adjustments in respect of prior years	-	482
Movement on FRS 17 pension deficit	1,780	134
Other timing differences	-	(9)
Current tax (charge)/credit on profit on ordinary activities	(804)	482

BIRSE CIVILS LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2008

7. SHARE-BASED PAYMENTS

Certain employees of the Company are participants in an equity-settled share-based payment arrangement operated by the Company's ultimate parent, namely the savings-related share option scheme. The Company recognised total expenses related to equity-settled share-based payment transactions (since 7 November 2002) of £39,724 in 2008 (2007: £30,000).

Savings-related share options

The Parent Company operates an Inland Revenue approved savings-related share option scheme ("SAYE") under which employees are granted an option to purchase ordinary shares in the Parent Company in either three or five years time, dependant upon their entering into a contract to make monthly contributions to a savings account over the relevant period. These savings are used to fund the option exercise. This scheme is open to all employees of the Company based in the UK and performance conditions are not applied to the exercise of SAYE options. Employees normally have a period of six months after completion of the savings contributions during which to exercise the SAYE options, failing which they lapse. On 7 May 2008, options were granted over 2,499,744 ordinary shares at 362p per share, and these are normally exercisable in the periods from July 2011 to December 2011 and from July 2013 to December 2013 depending upon the length of savings contract chosen by the participant. The information in relation to SAYE options granted to employees of the Company since 7 November 2002 was:

	SAYE options (number) 2008	Weighted average Exercise Price (pence) 2008	SAYE options (number) 2007	Weighted average Exercise Price (pence) 2007
Outstanding at start of the year/period	109,096	389	-	-
Granted during the year/period	50,761	362	115,731	389
Forfeited during the year/period	(19,902)	(386.7)	(6,635)	-
Outstanding at the end of the year/period	139,955	379.5	109,096	389
Exercisable at the end of the year/period	-	-	-	-

Those SAYE options granted to employees of the Company which were outstanding at 31 December 2008 had a weighted average remaining contractual life of 2.6 years (2007: 2.7 years). The weighted average share price at the date of exercise for those SAYE options exercised during the period by all participants was 401.2p (2007: 450.0p).

The principal assumptions used by the consultants in the stochastic model for the SAYE options granted in 2008 including expected volatility determined from the historic weekly share price movements over the three year period immediately preceding the invitation date, were:

	Exercise price Pence	Closing share price before invitation	Expected dividend yield %	Expected volatility of shares %	Expected term of options years	Risk-free interest rate %	Calculated fair value of an option pence
Invitation date							
10 April 2008							
- 3 year	362.0	442.5	2.60	24.4	3.25	4.01	113.7
- 5 year	362.0	442.5	2.60	24.4	5.25	4.01	128.3

BIRSE CIVILS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2008

8. FIXED ASSETS

	Fixture & fittings £'000
Cost	
At 31 December 2007	2,337
Additions	88
Disposals	(1,960)
	<u>465</u>
At 31 December 2008	<u>465</u>
Depreciation	
At 31 December 2007	2,007
On Disposals	(1,952)
Charge for the year	184
	<u>239</u>
At 31 December 2008	<u>239</u>
Net book value	
At 31 December 2008	<u>226</u>
At 31 December 2007	<u>330</u>

Included within fixed assets are assets held under finance lease with a net book value of £77,302 (2007: £114,458).

9. DEBTORS

	2008 £'000	2007 £'000
Trade debtors	28,013	29,733
Amounts recoverable on contracts	11,673	193
Amounts owed by parent company and fellow subsidiary undertakings	5,860	1,041
Prepayments and accrued income	2,259	2,816
Corporation tax receivable	2,253	3,049
Deferred tax (note 13)	171	764
	<u>50,229</u>	<u>37,596</u>

Included in Trade Debtors is an amount of £3,737,000 which is due after more than one year (2007: £2,237,967).

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2008 £'000	2007 £'000
Trade creditors	52,996	61,076
Advance payments	6,598	10,955
Amounts owed to parent company and fellow subsidiary undertakings	7,532	1,832
Accruals and deferred income	382	872
Other taxation and social security	4,332	1,781
Obligations under finance leases and hire purchase contracts (note 12)	39	31
	<u>71,879</u>	<u>76,547</u>

BIRSE CIVILS LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2008

11. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2008 £'000	2007 £'000
Trade creditors (all due between 1 and 2 years)	2,335	1,392
Obligations under finance leases and hire purchase contracts (note 12)	49	80
	<u>2,384</u>	<u>1,472</u>

12. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

	2008 £'000	2007 £'000
The maturity of these amounts is as follows:		
Amounts payable:		
Within one year	39	39
In two to five years	56	85
	<u>95</u>	<u>124</u>
Less: finance charges allocated to future periods	(7)	(13)
	<u>88</u>	<u>111</u>
Finance leases and hire purchase contracts are analysed as follows:		
Current obligations (note 10)	39	31
Non-current obligations (note 11)	49	80
	<u>88</u>	<u>111</u>
Analysis of changes in finance leases and hire purchase contracts during the current and previous periods:		
At 31 December 2007	111	168
Inception of finance leases	-	-
Capital element of finance lease rental payments	(23)	(57)
	<u>88</u>	<u>111</u>
At 31 December 2008	<u>88</u>	<u>111</u>

13. DEFERRED TAXATION

	Provided 2008 £'000	2007 £'000
Depreciation in excess of capital allowances	152	175
Losses not utilised	-	581
Share based payments	19	8
	<u>171</u>	<u>764</u>

The deferred tax assets recognised (note 10) are based upon the estimated tax losses of the business that can be relieved or upon those timing differences that will reverse in the foreseeable future after taking into account the historical performance of the businesses.

	Asset £'000
At 31 December 2007	764
Profit and loss account	(593)
At 31 December 2008	<u>171</u>

There is no unprovided deferred tax at the current year or prior period end.

BIRSE CIVILS LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2008

14. CALLED UP SHARE CAPITAL

	31 December 2008 £'000	31 December 2007 £'000
Authorised		
5,000,000 Ordinary shares of £1 each	5,000	5,000
Called up, allotted and fully paid		
5,000,000 Ordinary shares of £1 each	5,000	5,000

15. MOVEMENTS ON RESERVES

	Other reserves £'000	Profit and loss account £'000
Balance at 31 December 2007	30	(15,906)
Profit for the year	-	9,060
Actuarial gains and losses on retirement benefit obligations	-	(2,212)
Tax on items taken directly to equity	-	619
Movements relating to share-based payments (note 7)	40	-
	70	(8,439)

16. FINANCIAL COMMITMENTS

Operating lease commitments

At 3 December the company was committed to making the following annual payments under non-cancellable operating leases:

	Land and Buildings 2008 £'000	2007 £'000
Leases which expire:		
Within one year	660	238
Between two and five years	1,736	623

17. CONTINGENT LIABILITIES, GUARANTEES AND SECURITY

The company, along with other members of the group registered in England, is party to guarantees and mortgages given to the group's bankers and surety agents for any borrowings or guarantees provided thereby. Disclosure of the group borrowings is made in the Balfour Beatty plc financial statements.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2008
18. PENSION SCHEME

Certain employees of the Company are members of the Balfour Beatty Pension Fund which includes defined benefit and defined contribution sections and is managed by the Parent Company. Defined benefit schemes provide benefits based on employees' pensionable service and their pensionable salary. Defined contribution schemes are those where the Company's obligation is limited to the amount that it contributes to the scheme and the scheme members bear the investment and actuarial risks.

The defined benefit section is closed to new members with the exception of certain employees transferring under TUPE. During the current year the Parent Company implemented measures to limit the increase in pensionable pay of certain groups of in-service defined benefit members, giving rise to a reduction in past service liabilities which was classified as an exceptional item in the profit and loss account.

Defined benefit obligations are calculated using the projected unit credit method and discounted to a net present value using the rate of return on high quality corporate bonds. 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.

Allocation of the 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.

The company has adopted the amendments to FRS 17 Retirement Benefits, which align the required disclosures with IAS 19 Employee Benefits. Prior year comparatives have been presented on this basis.

The principal actuarial assumptions for the FRS17 accounting valuations of Balfour Beatty Pension Fund is as follows:

	Balfour Beatty Pension Fund 2008 %	Balfour Beatty Pension Fund 2007 %
Discount rate on obligations	6.45	5.85
Expected return on plan assets	6.27	6.53
Inflation rate	2.80	3.35
Future increases in pensionable salary		
– certain members of the Balfour Beatty Pension Fund	2.80	-
– other members	4.30	4.85
Rate of increase in pensions in payment (or such other rate as is guaranteed)	2.80	3.35

The mortality tables adopted for the 2008 and 2007 valuations are the 1992 series calendar year 2007 tables, with future improvements applicable to each member's year of birth under the medium cohort effect from 2007.

BIRSE CIVILS LIMITED

NOTES TO THE FINANCIAL STATEMENTS **Year ended 31 December 2008**

18. PENSION SCHEME (continued)

	2008	2007
	Average life expectancy at 65 years of age	Average life expectancy at 65 years of age
Members in receipt of pension		
– Male	20.3 years	20.2 years
– Female	23.4 years	23.3 years
Members not yet in receipt of pension (current age 50)		
– Male	21.3 years	21.2 years
– Female	24.3 years	24.2 years

The Balfour Beatty Pension Fund actuary undertakes regular mortality investigations based on the experience exhibited by pensioners of the BBPF and due to the size of the membership of the BBPF (42,634 members at 31 December 2008) is able to make comparisons of this experience with the mortality rates set out in the various published mortality tables. The actuary is also able to monitor changes in the exhibited mortality over time. As a result of these reviews the Parent Company is able to adopt with a measure of confidence consistent mortality assumptions across its various defined benefit schemes. In 2007 the reviews suggested continuing improvements in life expectancy and therefore the mortality assumptions were strengthened compared with the previous formal funding valuations and the 31 December 2006 valuation reviews.

The amounts recognised in the balance sheet are as follows:

	Balfour Beatty Pension Fund 2008 £'000	Balfour Beatty Pension Fund 2007 £'000
Present value of funded obligations	(148,985)	(175,053)
Fair value of plan assets	132,406	154,439
Pension fund liability	(16,579)	(20,614)
Related deferred tax asset	4,642	5,772
Net pension liability	<u>(11,937)</u>	<u>(14,842)</u>

BIRSE CIVILS LIMITED

NOTES TO THE FINANCIAL STATEMENTS **Year ended 31 December 2008**

18. PENSION SCHEME (continued)

The amounts recognised in the profit and loss account are as follows:

	Balfour Beatty Pension Fund 2008 £'000	Balfour Beatty Pension Fund 2007 £'000
Current service cost	(3,267)	(2,002)
Expected return on plan assets	10,053	3,559
Interest cost	(9,718)	(3,559)
Exceptional reduction in pension past service liabilities	5,143	-
Total credited/(charged) to profit and loss account	2,211	(2,002)

The exceptional pension credit relates to past gains not previously recognised and was taxed at 28%.

The amounts recognised in the statement of total recognised gains and losses are as follows:

	Balfour Beatty Pension Fund 2008 £'000	Balfour Beatty Pension Fund 2007 £'000
Actuarial gains/(losses) on pension scheme obligations	28,944	(2,846)
Actuarial (losses)/gains on pension scheme assets	(31,156)	1,878
Total actual losses recognised in the statement of total recognised gains and losses	(2,212)	(968)
Cumulative (losses)/gains recognised in reserves	(1,330)	882

The actual return on plan assets was a loss of £21,103,000 (2007: gain of £110,383,000).

The movement in the present value of obligations is as follows:

	Balfour Beatty Pension Fund 2008 £'000	Balfour Beatty Pension Fund 2007 £'000
At 1 January	(175,053)	(170,740)
Service cost	(3,267)	(2,002)
Exceptional past service gain	5,143	-
Interest cost	(9,718)	(3,559)
Actuarial gains/(losses)	28,944	(2,846)
Contributions from members	(1,438)	(946)
Benefits paid	6,404	5,040
At 31 December	(148,985)	(175,053)

BIRSE CIVILS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2008

18. PENSION SCHEME (continued)

The movement in the fair value of plan assets is as follows:

	Balfour Beatty Pension Fund 2008 £'000	Balfour Beatty Pension Fund 2007 £'000
At 1 January	154,440	150,649
Expected return on plan assets	10,053	3,559
Actuarial (losses)/gains	(31,156)	1,878
Contributions from employer - regular funding	2,099	2,447
Contributions from employer - deficit funding	1,936	-
Contributions from members	1,438	946
Benefits paid	(6,404)	(5,040)
At 31 December	<u>132,406</u>	<u>154,439</u>

The fair value and expected rates of return on the assets held by the schemes at 31 December are as follows:

Balfour Beatty Pension Fund	Expected rate of return 2008 %	Value 2008 £'000	Expected rate of return 2007 %	Value 2007 £'000
Equities	8.35	38,279	8.25	59,684
Bonds				
- index linked gilts	3.80	30,169	4.40	28,638
- fixed rate gilts	4.00	9,417	4.60	8,256
- corporate and other bonds	6.70	46,586	6.15	55,814
Funds of hedge funds	6.30	6,037	n/a	-
Cash and other net assets	3.60	<u>1,918</u>	4.40	<u>2,047</u>
Rate of return/total	6.27	<u>132,406</u>		<u>154,439</u>

The expected rates of return on scheme assets were determined as the average of the expected returns on the assets held by the scheme on 31 December. The rates of return for each class were determined as follows:

- equities and funds of hedge funds: the rate adopted is consistent with the median assumption used in the actuary's asset modelling work as at 31 December;
- bonds: the rate has been set to reflect the yields available on the gilts and corporate bond holdings held at 31 December;
- cash and other net assets: this class principally comprises inflation rate swaps and cash holdings and the rate adopted reflects current short-term returns on cash deposits.

BIRSE CIVILS LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2008

18. PENSION SCHEME (continued)

The estimated amounts of contributions expected to be paid to the principal defined benefit schemes during 2009 are as follows:

	Balfour Beatty Pension Fund 2009 £'000
Regular funding	2,502
Deficit funding	1,428
Total	<u>3,930</u>

Year end historic information for the company share of the BBPF post-retirement benefit plan is as follows:

	2008 £'000	2007 £'000
Defined benefit obligations at end of year	(148,986)	(175,053)
Fair value of assets at end of year	132,406	154,439
Funded status at end of year	(16,580)	(20,614)
Experience adjustment for liabilities	(877)	4,734
Experience adjustment for assets	(31,156)	106,825

Funding valuations

The last formal funding valuation is as detailed below.

	Balfour Beatty Pension Fund £'m
Last formal funding valuation	31 March 2007
Scheme deficit	
Market value of assets	1,693
Present value of scheme liabilities	(1,770)
Deficit in defined benefit scheme	<u>(77)</u>
Funding level	<u>95.6%</u>

19. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemptions available in FRS 8 not to disclose transactions with other group companies.

There were no other related party transactions in the current year or prior period.

20. ULTIMATE PARENT COMPANY

In the opinion of the directors, the company's ultimate parent company is Balfour Beatty plc, a company registered in England and Wales, and this is the largest group that prepares consolidated financial statements which include the accounts for the company. Copies of the group accounts of Balfour Beatty plc are available from 130 Wilton Road, London SW1 1LQ. The directors consider that Birse Construction Limited is the immediate parent company.