

4 March 2010

## BALFOUR BEATTY PLC

### PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2009

#### **STRONG PERFORMANCE, BUILDING A LEADING BUSINESS ACROSS THE LIFECYCLE OF INFRASTRUCTURE ASSETS**

Balfour Beatty, the international infrastructure group, reports its preliminary results for the year ended 31 December 2009.

Balfour Beatty operates in four business segments: professional services, construction services, support services and infrastructure investments, generating revenues<sup>†</sup> in the UK (54%), US (31%) and rest of the world (15%).

#### Financial summary

	2009	2008	Increase
<b>Revenue including joint ventures and associates</b>	<b>£10,339m</b>	£9,486m	+9%
<b>Group revenue</b>	<b>£8,954m</b>	£8,261m	+8%
<b>Profit from operations</b>			
- before exceptional items and amortisation	<b>£282m</b>	£230m	+23%
- after exceptional items and amortisation	<b>£297m</b>	£251m	+18%
<b>Pre-tax profit</b>			
- before exceptional items and amortisation	<b>£267m</b>	£249m	+7%
- after exceptional items and amortisation	<b>£267m</b>	£270m	(1)%
<b>Earnings per share<sup>2</sup></b>			
- adjusted <sup>1</sup>	<b>34.7p</b>	34.7p	-
- basic	<b>37.4p</b>	37.4p	-
<b>Dividends per share<sup>2</sup></b>	<b>12.0p</b>	11.1p	+8%
<b>Financing</b>			
- net cash before PPP subsidiaries (non-recourse)	<b>£572m</b>	£440m	
- net borrowings of PPP subsidiaries (non-recourse)	<b>£(248)m</b>	£(143)m	

<sup>†</sup> *pro-forma numbers including a full-year's contribution from Parsons Brinckerhoff (acquired in October 2009)*

<sup>1</sup> *before exceptional items and amortisation of intangible assets*

<sup>2</sup> *per share data has been restated for the bonus element of the 2009 rights issue*

#### Financial highlights

- Pre-tax profit<sup>1</sup> up 7% to £267 million
- Adjusted earnings per share<sup>1&2</sup> unchanged at 34.7p
- Cash generated from operations was £294 million (2008: £297 million)
- Average net cash in the year of £283 million (2008: £239 million)
- Final dividend of 7.2p per share, full-year dividend<sup>2</sup> up 8% at 12.0p per share (2008: 11.1p)

#### Operational highlights

- Order book of £14.1 billion (2008: £12.8 billion)
- Acquisition of Parsons Brinckerhoff (PB) transforms capabilities in professional services
- Particularly strong year in construction services, especially in US building
- Good performance in support services; £700 million of AMP5 contracts secured
- Infrastructure investments benefited from full-year contribution from Balfour Beatty Communities

***“Our business has continued to perform well and finished the year with a strong order book of £14.1 billion.***

***The acquisition of Parsons Brinckerhoff, one of the world’s leading professional services companies for infrastructure markets, realised a number of the Group’s long-term strategic objectives. We have created a high-quality business operating across the infrastructure lifecycle, which is uniquely placed in major markets to benefit from the long-term growth in investment in infrastructure.***

***There is substantial additional value in the combination of our capabilities for major customers. Increasingly, major infrastructure owners need an integrated capability from their trusted suppliers, resulting in less interface risk and greater certainty of delivery.***

***The breadth of our portfolio means our business is resilient. In spite of economic uncertainty, we remain confident about the prospects for the Group.”***

*Ian Tyler, Chief Executive*

4 March 2010

**BALFOUR BEATTY PLC**  
**PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2009**

**OVERVIEW**

Balfour Beatty now comprises an integrated portfolio of substantial businesses operating in four related market segments – professional services, construction services, support services and infrastructure investments – with significant capabilities in each part of the lifecycle of infrastructure assets, from conception, funding, programme management and design to construction, systems integration, operation and maintenance.

There is substantial additional value in the combination of our capabilities for major customers. Increasingly, major infrastructure owners need an integrated capability from their trusted suppliers, resulting in less interface risk and greater certainty of delivery.

Balfour Beatty had another good year in 2009, benefiting from continued expenditure in infrastructure markets. A strong focus on effective and efficient delivery for customers helped us to achieve a pre-tax profit of £267 million (before exceptional items and amortisation), a 7% increase on the previous year.

The order book was £14.1 billion at the period end, which gives us good forward visibility.

The acquisition of Parsons Brinckerhoff (PB) realised a number of the Group's long-term strategic objectives. PB is a high-quality business specialising in the programme and project management of large, complex infrastructure developments. We now have a leading presence in the professional services market, which has been one of our key strategic goals for some time.

Through this combination of businesses, and the diversity of our geographic and end-user markets, we have created a model for long-term success, which has the balance and resilience to counter the economic uncertainties that remain in some of our markets and the Group is well-positioned to take advantage of growth as it occurs.

In addition, having created this operating platform across the infrastructure lifecycle, there is the opportunity to drive further cost efficiencies across the Group.

## **NEW SEGMENTATION**

To reflect our business model, and as announced in the trading update on 15 January 2010, we are now reporting the business in four segments: professional services, construction services, support services and infrastructure investments.

**Professional services** comprises Parsons Brinckerhoff and Balfour Beatty's professional services businesses.

**Construction services** comprises the Group's construction activities across building, civil engineering and rail sectors.

**Support services** comprises the Group's utilities, facilities management, rail renewals and road management businesses.

**Infrastructure investments** promotes and invests in privately funded infrastructure assets and is the investment business as previously reported.

## **FINANCIAL RESULTS**

Revenue including joint ventures and associates was up 9% at £10,339 million (2008: £9,486 million), or up 3% at constant currency\*. This included the benefit of acquisitions, without which there was an underlying decline of approximately 4%.

Profit from operations<sup>1</sup> increased by 23% to £282 million (2008: £230 million), or by 14% at constant currency\*. Excluding the impact of acquisitions and at constant currency\*, profit from operations<sup>1</sup> increased by 10%.

Pre-tax profit<sup>1</sup> was up 7% at £267 million (2008: £249 million).

Adjusted earnings per ordinary share<sup>1&2</sup> were unchanged at 34.7p (2008: 34.7p), due principally to the impact of the rights issue in October 2009. Basic earnings per ordinary share were 37.4p (2008: 37.4p).

The Board has recommended a final dividend of 7.2p per share in respect of 2009, giving a full-year dividend<sup>2</sup> of 12.0p per share, up 8% on last year (2008: 11.1p).

Cash flow performance in the year was again strong with cash generated from operations of £294 million (2008: £297 million). The acquisition of Parsons Brinckerhoff was substantially funded through a rights issue, which raised a net £352 million.

Average net cash in the year was strong at £283 million (2008: £239 million). Year-end net cash stood at £572 million (2008: £440 million), before taking account of the consolidation of £248 million of non-recourse net debt held in PPP subsidiaries (2008: £143 million).

As described at the time of the acquisition of PB, there will be cash outflows in the first year due to a number of factors, including additional tax charges, the unwinding of certain working capital positions and project settlement costs and the exceptional transaction and integration costs.

The year-end order book stood at £14.1 billion, an increase of 10% on December 2008 (£12.8 billion), or up 15% at constant currency\*. This included £1.4 billion from acquisitions, so the underlying increase was 3%.

Information about the Group's principal risks and uncertainties and related party transactions is included in Notes 18 and 19 respectively of the condensed Group financial statements.

*\* Movements at constant currency are derived by restating the 2008 figures at the exchange rate applied for the comparable 2009 figures.*

## **OPERATIONAL PERFORMANCE**

### **Professional services**

Through the acquisition of Parsons Brinckerhoff, the Group is now one of the world's leading companies in professional services for infrastructure markets.

Profit from operations in professional services, before exceptional items and amortisation, reduced by £1 million to £13 million (2008: £14 million). The result was impacted, as anticipated, by the seasonal nature of PB's profit profile. PB's results have been consolidated into the Group's results from 27 October 2009, the date on which the acquisition was completed.

Balfour Beatty's professional services businesses performed well in the year. In the US, Heery had another good year, with revenue and profit increasing. In the UK, Balfour Beatty Management also performed well, with the King's Cross Northern Ticket Hall opening at the end of 2009.

The integration of PB into the Group is proceeding well. The first phase was completed by bringing Balfour Beatty's existing professional services capabilities under the overall management of PB and the Group is now focusing on capitalising on the significant opportunities to integrate professional services with the rest of its businesses.

As a result of the acquisition of PB, the order book in professional services increased by £1.0 billion to £1.4 billion at the year end (2008: £0.4 billion).

The outlook for PB remains consistent with that at the time of the acquisition. We anticipate that the professional services segment will account for approximately one quarter of the Group's profit from operations in 2010.

## **Construction services**

Balfour Beatty is a leading provider of construction services in the UK, US, South-East Asia and the Middle East.

Profit from operations in construction services, before exceptional items and amortisation, rose by 24% to £207 million (2008: £167 million), or 14% at constant currency\*.

This was a particularly strong year with good performances from the building businesses, especially in the US.

There was a good overall performance in UK building, in a difficult market, with good contract wins in the education sector, partially offset by a reduced volume of work in the regional building business.

There were also strong performances in the UK major and regional civil engineering businesses, with good progress on a number of major road projects including the M25. This strong performance was partially offset by a reduction in the Group's smaller ground engineering business.

The Group's businesses have reacted quickly to reduce costs where volumes have reduced. In addition, we will continue to seek broader procurement and cost savings through our operating companies working together more closely.

Balfour Beatty Construction in the US performed strongly in 2009 and while the business has been working through the order book, there were encouraging contract wins in Texas, Georgia and the Carolinas at the end of the year. Performance in US infrastructure was steady.

There was a strong performance in Hong Kong, with a number of contract wins resulting in Gammon's order book increasing 10% year-on-year. The acquisition of PB gives us further exposure to Asia, as well as Australia.

In the Middle East, performance was steady. The market for new construction work in Dubai remains difficult, while payments for completed building work remain slow. The Group continued to win building services work elsewhere across the region.

The rail businesses, which operate in the UK, continental Europe and other selected international markets, were affected by reduced volumes in the UK and Germany at the beginning of the year. After a slow start, the order book position in Germany and Sweden improved by the end of 2009.

The order book in construction services reduced by 14% to £8.2 billion during the period, an 8% reduction at constant currency\*.

While current economic conditions create uncertainty in some of our construction services markets, the Group's broad range of customers and geographies provides resilience. Although we expect civil infrastructure to strengthen, this will be offset by reductions in our building business, so that overall a similar level of performance is anticipated in 2010.

### **Support services**

Balfour Beatty is a leading provider of support services operating in the water and power, building and outsourced services, and transport (highways management/rail renewals) sectors.

Profit from operations in support services, before exceptional items and amortisation, rose by 6% to £55 million (2008: £52 million).

In the utilities markets, overall performance was as expected. In the water sector, there was a fall in revenue on contracts in the last year of the AMP4 cycle, as had been the case in previous AMP cycles. New AMP5 capital programme contracts, totalling some £700 million, were won in 2009, with customers including United Utilities and Anglian Water. The contracts commence in April 2010 and efficiency levels will improve through the life of the AMP5 cycle.

The overseas power transmission business also produced a good performance. Work to support the delivery of National Grid's electricity transmission capital investment programme in New England in the US, through a joint venture with MJ Electric, and in the UK, through the Eastern alliance, progressed well.

There was another strong year in facilities management and business support outsourcing, with organic growth and the successful expansion of the range of services for customers. This business is investing in a national operations centre in 2010, which will be focused on increasing the operational efficiencies of existing and future contracts.

A major seven-year facilities management contract, worth in excess of £100 million, was secured with QinetiQ and further work was won with the Metropolitan Police Authority, Royal Mail and the BBC.

There was a good performance in highways management, including the start of operation and maintenance services on the M25 in September 2009, and in rail renewals.

Underpinned by a good forward order book, which increased by 55% to £4.5 billion during the year, we expect to achieve a similar level of performance in support services in 2010.

## **Infrastructure investments**

The Group's PPP concession and non-PPP investment portfolio has grown both organically and through acquisition to become a very significant part of the Group's business and a major driver of shareholder value.

Profit from operations in infrastructure investments, before exceptional items and amortisation, increased by 35% to £42 million (2008: £31 million), or by 27% at constant currency\*.

There was good underlying concession performance in the UK and a full-year contribution from Balfour Beatty Communities in the US.

Acquired in April 2008, Balfour Beatty Communities produces a reliable, long-term profit and cash flow stream from a high-quality portfolio of PPP military housing concessions and continues to perform well.

Four schemes at preferred bidder status reached financial close during 2009: the £170 million Fife General Hospital PPP scheme; the £200 million Southwark Schools for the Future programme; the £6.2 billion PPP project for the design, build, finance and operate (DBFO) contract for the M25 motorway, as part of the Connect Plus consortium; and the £176 million Carlisle Northern Development Route PPP concession. In January 2010, the £450 million Blackburn with Darwen and Bolton BSF programme reached financial close.

Barking Power, which owns and operates a 1,000MW gas-fired power station in east London, performed strongly. Thirty percent of Barking Power's electricity output is sold in the open market and benefited from favourable rates in 2009. Performance in 2010 will be dependent both on the market price for electricity and the new contractual arrangements that will replace the existing 15-year gas and electricity contracts which come to an end in September 2010.

There was a reduction in passenger numbers at Exeter International Airport and Blackpool International Airport, the impact of which was largely offset by cost savings, an improvement in passenger yields and increases in non-aeronautical revenues.

In total, at 31 December 2009, the Group had committed equity and subordinated debt of £524 million across 50 PPP concessions, including two at preferred bidder status.

The long-term nature of the Group's PPP concessions, both in the UK and US, provides strong visibility of earnings. Using a single discount rate of 8% nominal post-shareholder tax, the Directors' valuation of the Group's PPP portfolio was £610 million as at 31 December 2009 (2008: £556 million).

There is a healthy pipeline of UK projects, particularly in the education sector, to be bid in 2010.

There are further business development opportunities within the US military accommodation PPP market, primarily with the US Air Force, and management is also focusing on taking that core PPP expertise into new markets in the US such as renewable energy, education and social infrastructure (hospitals, courthouses and student housing).

Given the uncertainty from the renewal of Barking Power's contracts, a modest decline in Balfour Beatty Communities' contracted fees in 2010 and increased bid costs, we anticipate 2010 being significantly behind 2009 in reported profits.

### **EXCEPTIONAL ITEMS**

Exceptional items of £46 million (2008: £33 million) after tax were credited to profit for the year.

The most significant items were a £100 million gain from a reduction in past service pension liabilities, £16 million of acquisition-related expenses mainly due to the acquisition of Parsons Brinckerhoff, £12 million of costs relating to post-acquisition integration and £15 million of costs associated with currency option contracts entered into to limit the cash downside from net investment hedging.

### **OTHER FINANCIAL INFORMATION**

Cash flow performance in the year was again strong, with cash generated from operations of £294 million (2008: £297 million) compared with profit from operations of £297 million (2008: £251 million). As anticipated, the maturing of balance sheet hedges and the premium paid to mitigate downside risk on these hedges resulted in a net post-tax cash outflow of £53 million on settlement.

Investment income, net of finance costs and before exceptional items, reduced from £19 million in 2008 to a net interest cost of £15 million in 2009 principally due to a reduction in the net return on pension scheme assets and liabilities. The Directors expect a further increase in the net interest cost in 2010, as a result of an anticipated increased pension net interest cost of approximately £8 million.

The Group's balance sheet as at 31 December 2009 includes aggregate pension deficits of £586 million (2008: £261 million), which is virtually unchanged from the position at 27 June 2009. The Group recorded net actuarial losses in the year on those funds, totalling £350 million (2008: £62 million), with the effects of the lower discount rates applied to the funds' liabilities only partly countered by better than expected returns on the assets held by the funds.

During the year the Group wrote to certain groups of in-service defined benefit members of the Balfour Beatty Pension Fund informing them of measures to limit their pensionable pay so that any salary increase from 1 January 2011 will not increase their defined benefit pensions. This resulted in a reduction in retirement benefit obligations of £114 million, of which £100 million was shown as a pre-tax exceptional credit, and £14 million was included as a change in actuarial assumptions and therefore was reflected through the Group statement of comprehensive income.

The effective tax rate in 2009 was 37.5% (2008: 38.1%). The benefit of lower UK tax rates has been offset by an increase in the proportion of profits from higher tax countries, notably the US.

## **THE BOARD**

Andrew McNaughton was appointed Chief Operating Officer and joined the Board on 1 January 2009.

Graham Roberts joined the Board as a non-executive Director on 1 January 2009 and became chairman of the Audit Committee on 5 March 2009. Graham is finance director of The British Land Company PLC and has brought valuable financial and commercial experience.

Iain Ferguson was appointed as a non-executive Director on 1 January 2010. His extensive international operational experience and his strategic insight, latterly in his capacity as chief executive of Tate & Lyle PLC, will make a significant contribution in the coming years.

In August 2009, we announced that Stephen Howard was standing down as a non-executive Director from the Board, having contributed to the Company's success over the three years of his tenure.

## **SAFETY**

Significant attention to safety underpins our licence to operate and our reputation as an employer in local communities. Our Zero Harm programme has been designed to eliminate the risk of harm by 2012, to achieve zero deaths, zero injuries to members of the public and zero permanently disabling injuries among all our people and all those who come into contact with our business activities. In 2009, the Accident Frequency Rate was reduced from 0.20 to 0.17, the seventh successive year of improvement.

## **OUTLOOK**

Our business has continued to perform well and finished the year with a strong order book of £14.1 billion.

We have created a high-quality business operating across the infrastructure lifecycle, which is uniquely placed in major markets to benefit from the long-term growth in investment in infrastructure.

The breadth of our portfolio, enhanced by the acquisition of Parsons Brinckerhoff, means our business is resilient. In spite of economic uncertainty, we remain confident about the prospects for the Group.

ENDS

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**Balfour Beatty**

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This document contains forward-looking statements which have been made in good faith based on the information available at the time of its approval. It is believed that the expectations reflected in these statements are reasonable, but they may be affected by a number of risks and uncertainties that are inherent in any forward-looking statement which could cause actual results to differ materially from those currently anticipated.

**Notes to Editors:**

Balfour Beatty is a world-class infrastructure group operating in professional services, construction services, support services and infrastructure investments.

We work in partnership with our customers principally in the UK, the US, South-East Asia and the Middle East, who value the highest levels of quality, safety and technical expertise.

Our key infrastructure markets include transportation (roads, rail and airports); social infrastructure (education, specialist healthcare, and various types of accommodation); utilities (water, gas and power transmission and generation) and commercial (offices, leisure and retail). We deliver services essential to the development, creation and care of these infrastructure assets including investment, project design, financing and management, engineering and construction, and facilities management services.

Balfour Beatty employs more than 50,000 people around the world.

**High resolution photographs are available to the media free of charge at [www.newscast.co.uk](http://www.newscast.co.uk) (Tel. +44 (0)20 7608 1000).**

**A presentation to analysts and investors will be made at RBS, 250 Bishopsgate, London EC2M 4AA at 10am for 10.15am.**

**There will be a live webcast of this presentation on [www.balfourbeatty.com](http://www.balfourbeatty.com) and the slides presented will be available on the website from 10.15am.**

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The Company's statutory accounts for the year ended 31 December 2009 are expected to be posted to those shareholders who have requested a paper copy on 8 April 2010.

The Annual report and accounts 2009 will be available on the Company's website [www.balfourbeatty.com](http://www.balfourbeatty.com) from the date this is posted to shareholders. Paper copies of the document will also be available from the Company's registered office from this time.

The Company's AGM is scheduled to be held at Plaisterers' Hall, One London Wall, London EC2Y 5JU at 11am on 12 May 2010.

The Company's statutory accounts for the year ended 31 December 2009 comply with the Disclosure and Transparency Rules of the Financial Services Authority in respect of the requirement to produce an annual financial report. Those financial statements are the responsibility of, and were approved by the Directors, on 3 March 2010.

The responsibility statement below has been prepared in connection with the Company's Annual report and accounts 2009. Certain parts thereof are not included within this announcement.

The Directors confirm that to the best of their knowledge:

- (i) the Company's financial statements for the year ended 31 December 2009, prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- (ii) the Business and financial review, which is incorporated into the Directors' report in those financial statements, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

This responsibility statement was approved by the Board of Directors on 3 March 2010 and is signed on its behalf by:

I P Tyler  
Chief Executive

D J Magrath  
Finance Director

\* \* \* \* \*

## Group statement of financial performance

For the year ended 31 December 2009

		2009			2008		
Notes	Before exceptional items* £m	Exceptional items* (Note 5) £m	Total £m	Before exceptional items* £m	Exceptional items* (Note 5) £m	Total £m	
	<b>Revenue including share of joint ventures and associates</b>	<b>10,339</b>	<b>-</b>	<b>10,339</b>	<b>9,486</b>	<b>-</b>	<b>9,486</b>
	Share of revenue of joint ventures and associates	(1,385)	-	(1,385)	(1,225)	-	(1,225)
	<b>Group revenue</b>	<b>8,954</b>	<b>-</b>	<b>8,954</b>	<b>8,261</b>	<b>-</b>	<b>8,261</b>
	Cost of sales	(8,173)	-	(8,173)	(7,628)	-	(7,628)
	<b>Gross profit</b>	<b>781</b>	<b>-</b>	<b>781</b>	<b>633</b>	<b>-</b>	<b>633</b>
	Net operating expenses						
	- amortisation of intangible assets	-	(48)	(48)	-	(27)	(27)
	- other	(582)	63	(519)	(478)	51	(427)
	<b>Group operating profit</b>	<b>199</b>	<b>15</b>	<b>214</b>	<b>155</b>	<b>24</b>	<b>179</b>
	Share of results of joint ventures and associates	83	-	83	75	(3)	72
	<b>Profit from operations</b>	<b>282</b>	<b>15</b>	<b>297</b>	<b>230</b>	<b>21</b>	<b>251</b>
	Investment income	32	-	32	43	-	43
	Finance costs	(47)	(15)	(62)	(24)	-	(24)
	<b>Profit before taxation</b>	<b>267</b>	<b>-</b>	<b>267</b>	<b>249</b>	<b>21</b>	<b>270</b>
	Taxation	(69)	15	(54)	(66)	(8)	(74)
	<b>Profit for the year attributable to equity shareholders</b>	<b>198</b>	<b>15</b>	<b>213</b>	<b>183</b>	<b>13</b>	<b>196</b>

\* and amortisation of intangible assets (Note 11).

**Basic earnings per ordinary share<sup>^</sup>**

**Diluted earnings per ordinary share<sup>^</sup>**

**Dividends per ordinary share proposed for the year<sup>^</sup>**

Notes	2009 Pence	2008 Pence
7	37.4	37.4
7	37.3	37.2
8	12.0	11.1

<sup>^</sup> Per share numbers have been restated for the bonus element of the 2009 rights issue (Note 7).

## Group statement of comprehensive income

For the year ended 31 December 2009

Notes	2009 £m	2008 £m
	<b>213</b>	<b>196</b>
	<b>(350)</b>	<b>(76)</b>
	<b>(80)</b>	<b>102</b>
	<b>5</b>	<b>(107)</b>
	<b>(2)</b>	<b>(1)</b>
	<b>18</b>	<b>(105)</b>
	<b>(77)</b>	<b>217</b>
	<b>120</b>	<b>25</b>
	<b>(366)</b>	<b>55</b>
15	<b>(153)</b>	<b>251</b>

**Group statement of changes in equity**  
For the year ended 31 December 2009

	Called-up share capital £m	Share premium account £m	Equity component of preference shares £m	Special reserve £m	Share of joint ventures' and associates' reserves £m	Other reserves (Note 15) £m	(Accumulated losses)/ retained profits £m	Non- controlling interests £m	Total £m
At 1 January 2008	216	52	16	164	178	9	(152)	-	483
Total comprehensive income for the year	-	-	-	-	105	66	79	1	251
Ordinary dividends	-	-	-	-	-	-	(54)	-	(54)
Joint ventures' and associates' dividends	-	-	-	-	(53)	-	53	-	-
Issue of ordinary shares	23	2	-	-	-	161	-	-	186
Movements relating to share-based payments	-	-	-	-	-	4	(8)	-	(4)
Non-controlling interests acquired	-	-	-	-	-	-	-	3	3
Transfers	-	-	-	(25)	-	(161)	186	-	-
At 31 December 2008	239	54	16	139	230	79	104	4	865
Total comprehensive income/(expense) for the year	-	-	-	-	9	(41)	(121)	-	(153)
Ordinary dividends	-	-	-	-	-	-	(63)	-	(63)
Joint ventures' and associates' dividends	-	-	-	-	(75)	-	75	-	-
Issue of ordinary shares	104	3	-	-	-	252	-	-	359
Rights issue expenses	-	-	-	-	-	-	(3)	-	(3)
Movements relating to share-based payments	-	-	-	-	-	1	-	-	1
Transfers	-	-	-	(107)	-	(3)	110	-	-
At 31 December 2009	343	57	16	32	164	288	102	4	1,006

## Group statement of financial position

At 31 December 2009

	Notes	2009 £m	2008 £m
<b>Non-current assets</b>			
Intangible assets			
- goodwill	10	1,131	975
- other	11	298	223
Property, plant and equipment		315	296
Investments in joint ventures and associates		458	469
Investments	12	83	55
PPP financial assets		260	151
Deferred tax assets		183	132
Derivative financial instruments		1	3
Trade and other receivables		89	74
		<b>2,818</b>	<b>2,378</b>
<b>Current assets</b>			
Inventories		100	125
Due from customers for contract work		524	383
Derivative financial instruments		-	2
Trade and other receivables		1,329	1,193
Current tax assets		5	-
Cash and cash equivalents		10	2
- PPP subsidiaries		608	461
- other			
		<b>2,576</b>	<b>2,166</b>
<b>Total assets</b>		<b>5,394</b>	<b>4,544</b>
<b>Current liabilities</b>			
Trade and other payables		(2,412)	(2,168)
Due to customers for contract work		(581)	(540)
Derivative financial instruments		(1)	(66)
Current tax liabilities		(8)	(23)
Borrowings		(19)	-
- PPP non-recourse loans		(23)	(12)
- other			
		<b>(3,044)</b>	<b>(2,809)</b>
<b>Non-current liabilities</b>			
Trade and other payables		(163)	(152)
Derivative financial instruments		(24)	(40)
Borrowings		(239)	(145)
- PPP non-recourse loans		(13)	(9)
- other		(9)	(10)
Deferred tax liabilities		(88)	(87)
Liability component of preference shares		(586)	(261)
Retirement benefit obligations	14	(222)	(166)
Provisions			
		<b>(1,344)</b>	<b>(870)</b>
<b>Total liabilities</b>		<b>(4,388)</b>	<b>(3,679)</b>
<b>Net assets</b>		<b>1,006</b>	<b>865</b>
<b>Equity</b>			
Called-up share capital	13	343	239
Share premium account	15	57	54
Equity component of preference shares	15	16	16
Special reserve	15	32	139
Share of joint ventures' and associates' reserves	15	164	230
Other reserves	15	288	79
Retained profits	15	102	104
<b>Equity attributable to equity holders of the parent</b>		<b>1,002</b>	<b>861</b>
Non-controlling interests	15	4	4
<b>Total equity</b>	15	<b>1,006</b>	<b>865</b>

**Group statement of cash flows**  
For the year ended 31 December 2009

	Notes	2009 £m	2008 £m
<b>Cash flows from operating activities</b>			
Cash generated from operations	16.1	294	297
Income taxes paid		(31)	(18)
<b>Net cash from operating activities</b>		<b>263</b>	<b>279</b>
<b>Cash flows from investing activities</b>			
Dividends received from joint ventures and associates		75	53
Interest received		17	27
Acquisition of businesses, net of cash and cash equivalents acquired		(300)	(302)
Purchase of intangible assets		(3)	-
Purchase of property, plant and equipment		(71)	(93)
Investment in and loans made to joint ventures and associates		(50)	(9)
Investment in PPP financial assets		(95)	(81)
Settlement of financial derivatives		(57)	(48)
Disposal of property, plant and equipment		19	17
Disposal of investments		16	2
<b>Net cash used in investing activities</b>		<b>(449)</b>	<b>(434)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of ordinary shares		356	186
Purchase of ordinary shares		(6)	(13)
Proceeds from new loans		121	81
Repayment of loans		(4)	(18)
Repayment of finance leases		(3)	(2)
Ordinary dividends paid		(63)	(54)
Interest paid		(19)	(12)
Preference dividends paid		(11)	(11)
<b>Net cash from financing activities</b>		<b>371</b>	<b>157</b>
<b>Net increase in cash and cash equivalents</b>		<b>185</b>	<b>2</b>
Effects of exchange rate changes		(30)	72
Cash and cash equivalents at beginning of year		453	379
<b>Cash and cash equivalents at end of year</b>	16.2	<b>608</b>	<b>453</b>

**Notes**

**1 Basis of accounting**

The annual financial statements have been prepared on a going concern basis and in accordance with International Financial Reporting Standards (IFRS) adopted for use in the European Union and therefore comply with Article 4 of the EU IAS Regulation and with those parts of the Companies Act 2006 that are applicable to companies reporting under IFRS. The Group has applied all accounting standards and interpretations issued by the International Accounting Standards Board and International Financial Reporting Interpretations Committee and adopted by the European Union relevant to its operations and effective for accounting periods beginning on 1 January 2009. The presentational currency of the Group is sterling.

The Directors have acknowledged the guidance "Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009" published by the Financial Reporting Council in October 2009 and have concluded that the Group has adequate resources to continue in operational existence for the foreseeable future and, for this reason, have continued to adopt the going concern basis in preparing the accounts.

The financial information in this announcement, which was approved by the Board of Directors on 3 March 2010, does not constitute the Company's statutory accounts for the years ended 31 December 2009 or 2008, but is derived from these accounts (except for the segmental information presented in Note 22). Statutory accounts for 2008 have been delivered to the Register of Companies and those for 2009 will be delivered following the Company's annual general meeting. The auditors have reported on these accounts; their reports were unqualified and did not contain statements under S498 (2) or (3) of the Companies Act 2006 or equivalent preceding legislation.

Whilst the financial information included in this preliminary announcement (except for the segmental information presented in Note 22) has been computed in accordance with IFRS, this announcement does not itself contain sufficient information to comply with IFRS. The Company expects to publish full financial statements for the Group and the Company that comply with IFRS in April 2010.

**1.1 Changes in accounting policies**

The adoption of the following standards has resulted either in changes to the presentation of the financial statements or to the Group's accounting policies in the current period:

IAS 1 Presentation of Financial Statements (revised 2007);  
IAS 27 Consolidated and Separate Financial Statements (revised 2008);  
IFRS 3 Business Combinations (revised 2008);  
IFRS 8 Operating Segments; and  
Amendments to IFRS 7 Improving Disclosures about Financial Instruments.

IAS 1 (revised 2007) requires the presentation of a statement of changes in equity in the primary statements. This information was previously disclosed in the notes to the financial statements. In addition the Group has elected to present a separate statement of financial performance and statement of comprehensive income. The revised standard also suggests certain changes in terminology which have been adopted in these financial statements. The income statement has been renamed statement of financial performance, the balance sheet has been renamed statement of financial position and the statement of recognised income and expense has been renamed statement of comprehensive income.

The revisions to IAS 27 (2008) and IFRS 3 (2008) are related. The Group has decided to adopt this set of revised standards early. The main change in accounting policy resulting from the revised standards is to expense acquisition costs in the statement of financial performance when incurred. As a result, the Group has expensed £16m of acquisition costs in the year that previously would have been capitalised within goodwill. Non-controlling shareholder interests previously referred to as minority interests are now referred to as non-controlling interests.

IFRS 8 has replaced IAS 14 Segment Reporting in the year. IFRS 8 requires that the Group's operating segments are identified on the basis of internal reports that are regularly reviewed by the chief operating decision maker to assess the performance of the Group's components and to allocate resources to them. IFRS 8 further requires that geographical disclosure for revenues from external customers focus on the Group's country of domicile and any other material country.

The amendments to IFRS 7 have had no effect on the accounting policies or results of the Group, however they have resulted in additional disclosures for the method and valuation technique used in determining the fair value of each class of financial assets and financial liabilities.

IAS 23 Borrowing Costs (revised 2007); Improvements to IFRSs issued May 2008; IFRIC 11 IFRS 2 – Group and Treasury Share Transactions; IFRIC 13 Customer Loyalty Programmes; IFRIC 14 IAS 19 The Limit of a Defined Benefit Asset, Minimum Funding Requirements and their Interaction; and amendments to: IFRS 2 Share-based Payment: Vesting Conditions and Cancellations; IAS 32 and IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation; IFRS 1 and IAS 27 Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate; IAS 39 and IFRS 7 Reclassification of Financial Assets: Effective Date and Transition; and IFRIC 9 and IAS 39 Embedded Derivatives also came into effect and were adopted in the current period but had no material effect on the accounting policies or disclosures in these financial statements.

Following the acquisition of Parsons Brinckerhoff Inc the Group's segments have been changed. The new reporting segments reflect the increased prominence of professional services, the core capabilities of the enlarged Group and the strategic objectives of the Group. The Group's revised segments have been based on the types of service provided. Similar operating segments have been aggregated into four reportable segments.

The new reportable operating segments are:

Professional services: the provision of project management, architectural, design or other technical services performed by the Group as consultants.

Construction services: activities resulting in the physical construction of an asset.

Support services: activities which support existing assets or functions such as facilities management, asset maintenance and standard renewal works.

Infrastructure investments: acquisition, operation and disposal of infrastructure assets such as PPP concessions, airports and power stations.

## 1.2 Accounting standards not yet adopted by the Group

The following accounting standards, interpretations and amendments have been released by the IASB but have either not been adopted by the European Union or are not yet effective in the European Union: IFRS 9 Financial Instruments; IAS 24 Related Party Disclosures (revised 2009); IFRS 1 First-time Adoption of International Financial Reporting Standards (revised 2008); Improvements to IFRSs issued April 2009; IFRIC 12 Service Concession Arrangements; IFRIC 15 Agreements for the Construction of Real Estate; IFRIC 16 Hedges of a Net Investment in a Foreign Operation; IFRIC 17 Distributions of Non-Cash Assets to Owners; IFRIC 18 Transfers of Assets from Customers; IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments; Amendments to IAS 39 Financial Instruments: Recognition and Measurement: Eligible Hedged Items; Amendments to IFRS 2 Group Cash-settled Share based Payment Transactions; Amendments to IFRS 1 Additional Exemptions for First-time Adopters; Amendments to IFRIC 14 Prepayments of a Minimum Funding Requirement; Amendments to IAS 32 Financial Instruments: Presentation: Classification of Rights Issues; and Amendment to IFRS 1: Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters. Except for IFRS 9 and IFRIC 12, none of these standards, interpretations or amendments are expected to have an effect on the accounting policies or disclosures within the financial statements of the Group.

IFRIC 12 is not expected to have a material effect on the Group's financial statements. It relates to the accounting for the Group's PPP concessions and would require certain assets constructed by concessions currently accounted for as "available-for-sale" financial assets to be accounted for as intangible assets. IFRIC 12 has been endorsed but was not yet required to be adopted for use in the European Union in 2009. The Group will adopt IFRIC 12 in 2010.

IFRS 9 Financial Instruments is expected to replace IAS 39 Financial Instruments: Recognition and Measurement effective from 2013, subject to EU endorsement. IFRS 9 in issue as at 3 March 2010 only covers the classification and measurement of financial assets. New requirements for the classification and measurement of financial liabilities, derecognition of financial instruments, impairment and hedge accounting are expected to be added to IFRS 9 in 2010. The requirements of IFRS 9 in issue as at 3 March 2010 would result in the Group's PPP financial assets being reclassified from "available-for-sale", which is a category that will no longer be available under the new standard, to a debt instrument measured either at amortised cost or at fair value through profit or loss. As a result, movements in the fair value of PPP financial assets would no longer be recognised in other comprehensive income. Retrospective application of this requirement would result in the closing balance of fair value movements recognised in PPP financial asset reserves and share of joint ventures' and associates' reserves of £71m relating to fair value movements of PPP financial assets currently classified as available-for-sale being transferred from PPP financial asset reserves and share of joint ventures' and associates' reserves to retained earnings.

## 1.3 Exchange rates

The following key exchange rates were applied in the preparation of these financial statements:

£1 buys	2009	2008	Change
<b>Average rates</b>			
US\$	1.56	1.86	(16)%
EUR	1.12	1.26	(11)%
<b>Closing rates</b>			
US\$	1.62	1.46	11%
EUR	1.13	1.05	8%

## 2 Segment analysis

### For the year ended 31 December 2009

	Professional services £m	Construction services £m	Support services £m	Infrastructure investments £m	Corporate activities £m	Total £m
<b>Performance by activity:</b>						
Revenue including share of joint ventures and associates before inter-segment eliminations	567	7,818	1,509	830	18	10,742
Inter-segment revenue	(9)	(327)	(66)	(1)	-	(403)
Revenue including share of joint ventures and associates	558	7,491	1,443	829	18	10,339
Share of revenue of joint ventures and associates	(5)	(673)	(140)	(567)	-	(1,385)
Group revenue	553	6,818	1,303	262	18	8,954
Group operating profit/(loss)	13	183	50	(12)	(35)	199
Share of results of joint ventures and associates	-	24	5	54	-	83
Profit/(loss) from operations before exceptional items and amortisation	13	207	55	42	(35)	282
Exceptional items	(23)	(16)	3	(1)	100	63
Amortisation of intangible assets	(8)	(20)	(2)	(18)	-	(48)
Profit/(loss) from operations	(18)	171	56	23	65	297
Investment income						32
Finance costs						(62)
Profit before taxation						267

### Performance by geographic destination:

	United Kingdom £m	United States £m	Rest of world £m	Total £m
Group revenue	5,364	2,837	753	8,954

### For the year ended 31 December 2008

	Professional services £m	Construction services £m	Support services £m	Infrastructure investments £m	Corporate activities £m	Total £m
<b>Performance by activity:</b>						
Revenue including share of joint ventures and associates before inter-segment eliminations	298	7,368	1,612	553	-	9,831
Inter-segment revenue	(8)	(273)	(64)	-	-	(345)
Revenue including share of joint ventures and associates	290	7,095	1,548	553	-	9,486
Share of revenue of joint ventures and associates	-	(702)	(130)	(393)	-	(1,225)
Group revenue	290	6,393	1,418	160	-	8,261
Group operating profit/(loss)	14	146	48	(19)	(34)	155
Share of results of joint ventures and associates	-	21	4	50	-	75
Profit/(loss) from operations before exceptional items and amortisation	14	167	52	31	(34)	230
Exceptional items	-	(6)	-	(5)	59	48
Amortisation of intangible assets	(1)	(15)	(2)	(9)	-	(27)
Profit from operations	13	146	50	17	25	251
Investment income						43
Finance costs						(24)
Profit before taxation						270

### Performance by geographic destination:

	United Kingdom £m	United States £m	Rest of world £m	Total £m
Group revenue	5,509	2,211	541	8,261

## 3 Investment income

	2009 £m	2008 £m
PPP subordinated debt interest receivable	9	12
PPP interest on financial assets	14	7
Income arising from derivatives designated as hedges of net investments in foreign operations	1	6
Net investment income on pension scheme assets and liabilities	-	5
Other interest receivable and similar income	8	13
	<b>32</b>	<b>43</b>

## 4 Finance costs

	2009 £m	2008 £m
Preference shares - finance cost	12	12
PPP non-recourse - bank loans and overdrafts	13	6
Net finance cost on pension scheme assets and liabilities	15	-
Other interest payable - bank loans and overdrafts	5	5
- other loans	2	1
	<b>47</b>	<b>24</b>
Exceptional items - foreign exchange options	15	-
	<b>62</b>	<b>24</b>

A preference dividend of 5.375p gross (4.8375p net) per cumulative convertible redeemable preference share of 1p was paid in respect of the six months ended 30 June 2009 on 1 July 2009 to holders of these shares on the register on 29 May 2009. A preference dividend of 5.375p gross (4.8375p net) per cumulative convertible redeemable preference share was paid in respect of the six months ended 31 December 2009 on 1 January 2010 to preference shareholders on the register on 27 November 2009.

## 5 Exceptional items and amortisation of intangible assets

	2009 £m	2008 £m
<b>5.1 Credited to/(charged against) profit from operations</b>		
Net operating expenses		
- reduction in pension past service liabilities	100	60
- acquisition related expenses	(16)	-
- Office of Fair Trading ("OFT") fine	(5)	-
- post-acquisition integration, reorganisation and other costs	(12)	(6)
- impairment charges in respect of railways facilities and inventory	(4)	-
- adjustment to Birse Group goodwill	-	(3)
Share of joint ventures and associates	-	(3)
	<b>63</b>	<b>48</b>
<b>5.2 Charged against finance costs</b>		
- foreign exchange options	(15)	-
<b>5.3 Credited to/(charged against) profit before taxation</b>	<b>48</b>	<b>48</b>
- tax on items above	(18)	(15)
- release of deferred tax on unremitted foreign earnings	16	-
- tax credit on recognition of Birse Group losses	-	3
- industrial buildings allowances	-	(3)
Exceptional items credited to profit for the year	<b>46</b>	<b>33</b>
Amortisation of intangible assets	(48)	(27)
Tax thereon	17	7
Credited to profit for the year	<b>15</b>	<b>13</b>

5.1 In 2009 and 2008 the Group implemented measures to limit the increase in pension benefits of certain groups of in-service members of the Balfour Beatty Pension Fund giving rise to a reduction in past service liabilities of £100m in 2009 (2008: £60m).

In 2009, costs directly attributable to acquisitions have been incurred in respect of: Dooley Construction Limited Partnership ("RT Dooley") £1m and Parsons Brinckerhoff Inc £15m.

In 2004 the OFT initiated an investigation into tender activities across the UK construction sector. The OFT concluded its investigation in 2009 and determined that these activities amounted to breaches of competition law in the UK. As a result of the decision, Mansell was fined £5m in respect of such instances, all of which took place before its acquisition by the Group. The Company and its operating businesses co-operated with the OFT throughout the investigation.

Reorganisation and integration costs of £12m (2008: £6m) have been incurred, £8m (2008: £nil) relating to Parsons Brinckerhoff, £1m (2008: £3m) relating to Balfour Beatty Communities (formerly GMH Military Housing), £2m (2008: £2m) relating to Dean & Dyball, £3m (2008: £nil) relating to Schreck-Mieves, £1m (2008: £nil) relating to Douglas E Barnhart and a gain of £3m (2008: £nil) recognised in relation to the relocation of certain Rail UK businesses. In 2008 costs of £1m were incurred in the US on the reorganisation of the central division of Balfour Beatty Infrastructure Inc (formerly Balfour Beatty Construction Inc).

An impairment charge of £4m (2008: £nil) has been incurred in respect of writing down buildings and inventory of railway facilities in Germany to their fair value less costs to sell due to a decision by a main customer to consolidate procurement over fewer production facilities.

On the acquisition of Birse Group, tax losses were acquired which did not satisfy the criteria for recognition in the statement of financial position at the date of acquisition. In 2008 a portion of these losses was recognisable and the benefit was recorded as part of the Group's tax charge in exceptional items. IAS 12 applicable to the 2008 results stipulates that in addition to recognising the tax benefit the carrying amount of goodwill recognised on the acquisition is reduced, with the reduction treated as an expense.

As a result of the UK Finance Act 2008, tax depreciation allowances on industrial buildings are being reduced to nil on a phased basis. In 2008 joint ventures and associates of the Group recognised a £4m deferred tax charge which was required under IAS 12 to establish a deferred tax liability. This liability will be released to the statement of financial performance as the relevant assets are depreciated for accounting purposes. In addition, a £1m deferred tax credit was recognised following agreement with HMRC on the basis of taxing certain PPP concessions.

5.2 Due to the volatile currency markets, the Group entered into a number of foreign exchange option contracts in 2009 at a cost of £15m to limit the cash outflow for the planned settlement of the Group's foreign exchange contracts in respect of net investment hedging.

In 2008 a premium of £0.1m arose on the repurchase for cancellation of 0.3m preference shares at a cost of £0.4m which was charged to exceptional finance costs. No preference shares were repurchased in 2009.

5.3 The exceptional items credited to/(charged against) profit from operations have given rise to a net tax charge of £18m (2008: £12m charge). As a result of the Finance Act 2009, future dividend income from outside the UK will be exempt from UK corporation tax which has led to the release of £10m of deferred tax in the UK. In addition, there has been a release of £6m of US deferred tax in relation to unremitted earnings where future additional US tax will no longer be incurred. Subsidiaries of the Group recognised a £3m deferred tax charge in 2008 to establish a deferred tax liability in relation to industrial building allowances which was required under IAS 12. This liability is being released to the statement of financial performance as the relevant buildings are depreciated for accounting purposes.

## 6 Taxation

			2009	2008
	Before exceptional items* £m	Exceptional items* £m	Total £m	Total £m
UK current tax				
- corporation tax for the year at 28% (2008: 28.5%)	12	(5)	7	20
- double tax relief	-	-	-	(2)
- ACT write off	-	-	-	4
- adjustments in respect of previous periods	(8)	-	(8)	-
	4	(5)	(1)	22
Foreign current tax				
- foreign tax on profits for the year	31	(15)	16	12
- adjustments in respect of previous periods	(2)	-	(2)	-
	29	(15)	14	12
Total current tax	33	(20)	13	34
Deferred tax				
- UK	13	15	28	24
- foreign tax	18	(10)	8	16
- adjustments in respect of previous periods	5	-	5	-
Total deferred tax	36	5	41	40
Total tax charge/(credit) * and amortisation of intangible assets.	69	(15)	54	74

The Group tax charge above does not include any amounts for joint ventures and associates (see Note 12), whose results are disclosed in the statement of financial performance net of tax.

In addition to the Group tax charge above is £120m of tax credited (2008: £25m credited) directly to equity, comprising a current tax credit of £nil (2008: £6m credit), a deferred tax credit of £94m (2008: £23m credit), and a credit in respect of joint ventures and associates of £26m (2008: £4m charge).

The weighted average applicable tax rate is 33% (2008: 32%) based on profit before taxation, exceptional items and amortisation of intangible assets, excluding the results of joint ventures and associates.

## 7 Earnings per ordinary share

	2009		2008	
	Basic £m	Diluted £m	Basic £m	Diluted £m
Earnings	213	213	196	196
Exceptional items – net of tax charge of £2m (2008: £15m)	(46)	(46)	(33)	(33)
Amortisation of intangible assets – net of tax credit of £17m (2008: £7m)	31	31	20	20
Adjusted earnings	198	198	183	183
	m	m	m	m
<b>Weighted average number of ordinary shares</b>	571	572	525	528
	Pence	Pence	Pence <sup>^</sup>	Pence <sup>^</sup>
Earnings per ordinary share	37.4	37.3	37.4	37.2
Exceptional items	(8.0)	(7.9)	(6.3)	(6.2)
Amortisation of intangible assets	5.3	5.3	3.6	3.6
Adjusted earnings per ordinary share	34.7	34.7	34.7	34.6

<sup>^</sup> Per share numbers have been restated for the bonus element of the 2009 rights issue (Note 13).

The calculation of basic earnings is based on profit for the period attributable to equity shareholders. The calculation of the weighted average number of ordinary shares was affected by the issue of 205,502,237 ordinary shares on 22 October 2009 and the issue of 43,320,411 ordinary shares on 20 May 2008. It has been adjusted for the conversion of share options in the calculation of diluted earnings per ordinary share. No adjustment has been made in respect of the potential conversion of the cumulative convertible redeemable preference shares, the effect of which would have been antidilutive throughout each period. Adjusted earnings per ordinary share, before post-tax exceptional items and post-tax amortisation of intangible assets, has been disclosed to give a clearer understanding of the Group's underlying trading performance.

The per share information has been restated for the bonus element of the 2009 rights issue described in Note 13. The adjustment factor has been 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.

## 8 Dividends on ordinary shares

	2009		2008	
	Per share Pence	Amount £m	Per share Pence	Amount £m
Proposed dividends for the year:				
Interim – current year	4.8	26	4.4	24
Final – current year	7.2	49	6.7	37
	<b>12.0</b>	<b>75</b>	11.1	61
Recognised dividends for the year:				
Final – prior year		37		30
Interim – current year		26		24
		<b>63</b>		<b>54</b>

The current year interim and 2008 comparative dividend per share information in the above table has been restated for the bonus element of the 2009 rights issue as described in Note 13.

The interim 2009 dividend was paid on 4 December 2009. Subject to approval at the Annual General Meeting on 12 May 2010, the final 2009 dividend will be paid on 5 July 2010 to holders of ordinary shares on the register on 23 April 2010 by direct credit or, where no mandate has been given, by cheque posted on 2 July 2010 payable on 5 July 2010. These shares will be quoted ex-dividend on 21 April 2010.

## 9 Acquisitions

The Group has made the following acquisitions during the year:

	Acquisition date	Subsidiary	Percentage acquired	Cash consideration	Contingent consideration	Fair values of net assets acquired	Goodwill arising on acquisition (ii)	Costs (iii)
9.1	23 February 2009	Dooley Construction Limited Partnership ("RT Dooley")	100%	£28m \$40m	-	£11m	£17m	£1m
9.2	27 October 2009	Parsons Brinckerhoff Inc (i)	100%	£382m \$626m	£(7)m \$(12)m	£203m	£172m	£15m
9.3	12 November 2009	SpawMaxwell Company LLC (i)	100%	£12m \$20m	£3m \$5m	£4m	£11m	-
9.4	23 December 2009	Strata Construction Ltd (i)	100%	£10m	-	£4m	£6m	-
				<b>£432m</b>	<b>£(4)m</b>	<b>£222m</b>	<b>£206m</b>	<b>£16m</b>

(i) As at 31 December 2009 the fair values of acquired assets, liabilities and goodwill for these businesses have been determined on a provisional basis, pending finalisation of the post-acquisition review of the fair value of the acquired net assets.

(ii) None of the goodwill recognised for Parsons Brinckerhoff is expected to be deductible for income tax purposes. Goodwill of £25m is expected to be deductible for income tax purposes in relation to other acquisitions.

(iii) Costs directly attributable to each acquisition have been expensed within exceptional items, refer Note 5.

- 9.1 RT Dooley is a leading North Carolina, USA firm in the interiors construction market. The goodwill arising is attributable to the acquisition strengthening and expanding the Group's US interior construction capabilities.
- 9.2 Parsons Brinckerhoff is a leading global professional services firm headquartered in New York, USA. Parsons Brinckerhoff offers professional services across the entire project lifecycle from management consultancy and planning to design and engineering; programme, project and construction management services; and operational, maintenance and support services. The goodwill arising is attributable to the acquisition establishing a global professional services business and strengthening the Group's position in the global infrastructure market, particularly providing future opportunities in the US, UK, Australia, Hong Kong, Singapore, the UAE and a number of other key markets.
- 9.3 SpawMaxwell is the largest interior construction contractor in Texas, USA. The goodwill arising is attributable to the acquisition enhancing the position of Balfour Beatty Construction US as a single source of construction capabilities in the Texas building market.
- 9.4 Strata Construction is a Doncaster, UK based company specialising in the construction of affordable housing. The goodwill arising is attributable to the company expanding the Group's capabilities in the affordable housing market, particularly in the Yorkshire region.

The fair value of the net assets acquired, consideration paid and goodwill arising on these transactions were:

	Recognised amounts of identifiable assets acquired and liabilities assumed		
	Parsons Brinckerhoff £m	Other £m	Total £m
<b>Net assets acquired:</b>			
Intangible assets – customer contracts	25	1	26
Intangible assets – customer relationships	63	10	73
Intangible assets – brand names	32	5	37
Intangible assets – software	3	-	3
Property, plant and equipment	38	2	40
Investments in joint ventures and associates	3	2	5
Investments	23	-	23
Working capital	4	(11)	(7)
Provisions	(19)	(2)	(21)
Deferred tax	2	-	2
Current tax	2	-	2
Cash and cash equivalents	124	12	136
Borrowings	(14)	-	(14)
Retirement benefit obligations	(83)	-	(83)
Identifiable net assets	203	19	222
Goodwill	172	34	206
Total consideration	375	53	428
<b>Satisfied by:</b>			
Cash consideration	382	50	432
Contingent consideration	(7)	3	(4)
Total consideration transferred	375	53	428
Cash consideration	382	50	432
Cash and cash equivalent balances acquired	(124)	(12)	(136)
Net cash outflow on acquisitions completed in 2009	258	38	296
Deferred consideration paid during 2009 in respect of acquisitions completed in earlier years			4
Net cash outflow on acquisitions			300

#### Parsons Brinckerhoff

The fair value of working capital includes trade and other receivables with a fair value of £381m (\$623m) and a gross contractual value of £404m (\$662m). The value of receivables against which there is a provision is £23m (\$39m).

The contingent consideration arrangements require the performance of specific contracts to exceed predefined thresholds in order to become payable and are dependent on the outcome of settling certain historical insurance claims. The potential undiscounted amount of all future payments and receipts that the Group could be required to make or receive under the contingent consideration arrangements is between £16m receivable and £11m payable. The fair value of the contingent consideration arrangements is £7m receivable. This was estimated by applying the provisions of the purchase agreement to the current management assessment of possible outcomes and discounting the expected contract costs and insurance claim proceeds to their present value.

Parsons Brinckerhoff earned revenue of £248m, including its share of revenue from joint ventures and associates of £4m, and incurred a loss from operations (excluding exceptional and amortisation) items of £1m in the period since acquisition.

#### Other acquisitions

The fair value of working capital includes trade and other receivables with a fair value of £64m and a gross contractual value of £65m. The value of receivables against which there is a provision is £1m.

The contingent consideration arrangements relating to the acquisition of SpawMaxwell require the acquired business to perform above a predefined performance level. The potential undiscounted amount of all future payments that the Group could be required to make under the contingent consideration arrangements is £3m, which is equal to the amount recognised as the fair value of contingent consideration.

Since acquisition the other acquired businesses earned revenues of £117m and made profits from operations (excluding exceptional items and amortisation) of £2m.

The fair values of acquired assets and liabilities, including goodwill, previously disclosed as provisional for Leonard Wood Family Communities LLC, Schreck-Mieves GmbH, Branlow Ltd, Colledge Trundle & Hall Ltd, and Lackland Family Housing LLC have been finalised in the current year with no material changes to the fair values disclosed in the Directors' report and accounts 2008.

## 10 Intangible assets – goodwill

	Cost £m	Accumulated Impairment losses £m	Carrying amount £m
At 1 January 2009	1,024	(49)	975
Exchange and other adjustments	(55)	5	(50)
Businesses acquired (Note 9)	206	-	206
At 31 December 2009	<b>1,175</b>	<b>(44)</b>	<b>1,131</b>

The carrying amounts of goodwill by segment are as follows:

	United Kingdom 2009 £m	United States 2009 £m	Rest of world 2009 £m	Total 2009 £m	United Kingdom 2008 £m	United States 2008 £m	Rest of world 2008 £m	Total 2008 £m
Professional services	14	129	46	189	1	15	-	16
Construction services	319	313	169	801	314	317	180	811
Support services	96	-	-	96	96	-	-	96
Infrastructure investments	4	41	-	45	6	46	-	52
Group	<b>433</b>	<b>483</b>	<b>215</b>	<b>1,131</b>	<b>417</b>	<b>378</b>	<b>180</b>	<b>975</b>

The recoverable amount of goodwill is based on value in use. Cash flow forecasts have been based on the expected workload of each cash generating unit (CGU) giving consideration to the current level of confirmed orders and anticipated orders. Cash flow forecasts for the next three years are based on the Group's 2010 budget and medium-term plan. The other key inputs in assessing each CGU are its revenue growth rate and discount rate. The growth rate has been applied to cash flows after three years into perpetuity and reflects published GDP growth rates for the economic environment of each CGU. The cash flows assume a residual value based on a multiple of earnings before interest and tax.

The cash flows have been discounted using a pre-tax discount rate in the range of 10.6%–12.8% (2008: 10.6%–12.2%). The discount rates are revised annually applying updated market inputs to the standard capital asset pricing model.

	2009			2008		
	United Kingdom	United States	Rest of world	United Kingdom	United States	Rest of world
Inflation rate	1.9%	1.8%	1.0%	2.2%	2.3%	1.9%
GDP growth rate	0.8%	1.5%	0.3%	1.1%	1.9%	1.0%
Nominal long-term growth rate applied	2.7%	3.3%	1.3%	3.3%	4.2%	2.9%

### Sensitivities:

The Group's impairment review is sensitive to changes in the key assumptions used. The major assumptions that result in significant sensitivities are the revenue growth rate and the discount rate.

A reasonably possible change in a single assumption will not cause impairment in any of the Group's CGUs. However, a significant adverse change in the key assumptions could result in an impairment in the Balfour Beatty Communities CGU as its fair value currently exceeds its carrying value by approximately 7% and in our Balfour Beatty Rail Inc CGU as its fair value currently exceeds its carrying value by approximately 30%. The carrying value of the goodwill of Balfour Beatty Communities is £41m and of Balfour Beatty Rail Inc £15m.

## 11 Intangible assets – other

	Cost £m	Accumulated amortisation £m	Carrying amount £m
At 1 January 2009	266	(43)	223
Currency translation differences	(23)	4	(19)
Additions	3	-	3
Businesses acquired (Note 9)	139	(48)	91
At 31 December 2009	<b>385</b>	<b>(87)</b>	<b>298</b>

Other intangible assets comprise customer contracts, customer relationships, brand names and software.

## 12 Joint ventures and associates

Share of results and net assets of joint ventures and associates

2009							
Professional services	Construction services	Support services	Infrastructure investments			Total	
			PPP	Military housing	Infra-structure		
£m	£m	£m	£m	£m	£m	£m	
Revenue	5	673	140	472	-	95	1,385
Operating profit	-	25	7	9	4	28	73
Investment income	-	-	-	139	-	-	139
Finance costs	-	-	-	(103)	-	(3)	(106)
Profit before taxation	-	25	7	45	4	25	106
Taxation	-	(1)	(2)	(14)	-	(6)	(23)
Profit after taxation	-	24	5	31	4	19	83
Intangible assets	-	29	-	-	-	24	53
- goodwill	-	-	-	-	-	-	-
- other	-	-	-	3	-	-	3
Property, plant and equipment	-	33	1	-	-	104	138
PPP financial assets	-	-	-	1,915	-	-	1,915
Military housing projects	-	-	-	-	45	-	45
Net (borrowings)/cash	8	112	7	(1,527)	-	(15)	(1,415)
Other net assets/(liabilities)	(8)	(101)	2	(149)	1	(26)	(281)
Net assets	-	73	10	242	46	87	458
2008							
Professional services	Construction services	Support services	Infrastructure investments			Total	
			PPP	Military housing	Infra-structure		
£m	£m	£m	£m	£m	£m	£m	
Revenue	-	702	130	293	-	100	1,225
Operating profit before exceptional items	-	23	5	7	2	26	63
Investment income	-	1	-	125	-	-	126
Finance costs	-	-	-	(87)	-	(3)	(90)
Profit before taxation and exceptional items	-	24	5	45	2	23	99
Taxation	-	(3)	(1)	(14)	-	(6)	(24)
Exceptional items	-	-	-	(1)	-	(2)	(3)
Profit after taxation	-	21	4	30	2	15	72
Intangible assets	-	32	-	-	-	24	56
- goodwill	-	-	-	-	-	-	-
- other	-	-	-	2	-	-	2
Property, plant and equipment	-	35	1	-	-	109	145
PPP financial assets	-	-	-	1,663	-	-	1,663
Military housing projects	-	-	-	-	48	-	48
Net (borrowings)/cash	-	132	2	(1,368)	-	(20)	(1,254)
Other net assets/(liabilities)	-	(120)	2	(44)	-	(29)	(191)
Net assets	-	79	5	253	48	84	469

## 13 Share capital

During the year ended 31 December 2009, 1,337,199 ordinary shares were issued following the exercise of savings-related share options and 433,694 ordinary shares were issued following the exercise of executive share options for an aggregate cash consideration of £4m.

On 17 September 2009 the Company announced a fully underwritten 3 for 7 rights issue at a subscription price of 180p per new ordinary share to substantially finance the acquisition of Parsons Brinckerhoff Inc. The rights issue and acquisition were approved by the holders of the Company's ordinary shares at a general meeting on 7 October 2009 and the rights issue closed on 22 October 2009. 205,502,237 new ordinary shares were issued, raising £352m after issue costs and expenses of £18m. The rights issue utilised a cash box structure and therefore qualified for merger relief under Section 612 of the Companies Act 2006 so that the premium arising was not required to be credited to the Company's share premium account.

The cash box entity, Bentworth No. 2 Ltd (Bentworth 2), issued redeemable preference shares in consideration for the receipt of the cash proceeds net of issue costs arising from the rights issue. The Company's new ordinary shares were issued as consideration for the transfer to it of the shares in Bentworth 2 which it did not already own. As a result, the issue qualified for merger relief under Section 612 of the Companies Act 2006 so that the £252m excess of the value of the acquired shares in Bentworth 2 over the nominal value of the ordinary shares issued by the Company was credited to the Company's merger reserve, which was subsequently charged with £3m of rights issue expenses. The rights issue was directly associated with the acquisition of Parsons Brinckerhoff Inc and therefore the merger reserve is not available for distribution to shareholders.

On 20 May 2008, 43,320,411 ordinary shares were issued and placed with institutions at a price of 430p per share. The net proceeds after issue costs were £182m. The placing utilised a cash box structure. The cash box entity, Bentworth Ltd, issued redeemable preference shares in consideration for the receipt of the cash proceeds net of issue costs arising from the placing. The Company's ordinary shares were issued as consideration for the transfer to it of the shares in Bentworth Ltd which it did not already own. As a result, the placing qualified for merger relief under section 131 of the Companies Act 1985 so that the £161m excess of the value of the acquired shares in Bentworth Ltd over the nominal value of the ordinary shares issued by the Company was credited to the Company's merger reserve. The preference shares in Bentworth Ltd were subsequently redeemed and the Company transferred £161m from the merger reserve to the profit and loss reserve, which is available for distribution to shareholders.

## 14 Retirement benefit obligations

The latest actuarial funding valuations of the Group's principal defined benefit schemes have been updated by the actuaries to 31 December 2009 on the basis prescribed by IAS 19. In particular, scheme liabilities have been discounted using the rate of return on high quality corporate bonds rather than the expected rate of return on the assets in the scheme used in the funding valuations. On 31 May 2009 the Mansell plc Pension Scheme and the Hall & Tawse Retirement Benefit Plan ("Mansell schemes") were merged with the Balfour Beatty Pension Fund. Details of these valuations and the disclosures prescribed by IAS 19 are set out in the Annual report and accounts 2009 along with the funding valuation reviews.

During 2008 and 2009 the Group 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 of £100m (2008: £60m), which has been classified as an exceptional item.

The principal assumptions used by the actuaries, the scheme details and IAS 19 disclosures for the Group's principal defined benefit schemes are summarised below:

	2009			2008		
	Balfour Beatty Pension Fund %	Railways Pension Scheme %	Parsons Brinckerhoff scheme %	Balfour Beatty Pension Fund %	Railways Pension Scheme %	Mansell schemes %
Discount rate on obligations	5.65	5.65	5.65	6.45	6.45	6.45
Expected return on plan assets	5.93	7.30	6.75	6.27	7.45	6.40
Inflation rate	3.50	3.50	3.50	2.80	2.80	2.80
Future increases in pensionable salary:						
- certain members of the Balfour Beatty Pension Fund	-	-	-	2.80	-	-
- other members	5.00	5.00	-	4.30	4.30	4.30
Rate of increase in pensions in payment (or such other rate as is guaranteed)	3.50	3.50	3.50	2.80	2.80	2.80
	<b>Number</b>	<b>Number</b>	<b>Number</b>	<b>Number</b>	<b>Number</b>	<b>Number</b>
Total number of members	38,218	3,276	2,223	35,764	3,275	3,264

The mortality tables adopted for the 2009 and 2008 IAS 19 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.

	2009 Average life expectancy at 65 years of age	2008 Average life expectancy at 65 years of age
Members in receipt of pension		
- Male	20.4 years	20.3 years
- Female	23.4 years	23.4 years
Members not yet in receipt of pension (current age 50)		
- Male	21.4 years	21.3 years
- Female	24.3 years	24.3 years

The composition of the members of the Parsons Brinckerhoff scheme is different to the other schemes and allowance has been made for approximately three further years of life expectancy for members of this scheme compared to members of the other schemes.

	2009					2008				
	Balfour Beatty Pension Fund £m	Railways Pension Scheme £m	Parsons Brinckerhoff scheme £m	Other schemes £m	Total £m	Balfour Beatty Pension Fund £m	Railways Pension Scheme £m	Mansell schemes £m	Other schemes £m	Total £m
<b>IAS 19 Deficit</b>										
Present value of obligations	(2,325)	(177)	(166)	(89)	(2,757)	(1,733)	(138)	(188)	(43)	(2,102)
Fair value of plan assets	1,911	134	113	13	2,171	1,540	120	170	11	1,841
Liability in the statement of financial position	(414)	(43)	(53)	(76)	(586)	(193)	(18)	(18)	(32)	(261)

The defined benefit obligation comprises £76m (2008: £29m) arising from wholly unfunded plans and £2,681m (2008: £2,073m) arising from plans that are wholly or partly funded.

The movement in the retirement benefit obligations of the Group's defined benefit schemes for the year ended 31 December 2009 was as follows:

	£m
At 1 January 2009	(261)
Currency translation adjustments	1
Other transfers	(20)
Service cost	(32)
Interest cost	(131)
Expected return on plan assets	116
Exceptional past service gain	100
Contributions from employer	35
- deficit funding	34
- regular funding	5
Benefits paid	(83)
Businesses acquired	(487)
Actuarial gains and losses	137
- liabilities	
- assets	
At 31 December 2009	(586)

The Balfour Beatty Pension Fund includes a defined contribution section with 7,449 members as at 31 December 2009 (2008: 6,870 members). Including £22m (2008: £16m) contributions paid and charged in the statement of financial performance in respect of this section and £17m (2008: £12m) pension costs in respect of other defined contribution schemes, the total net pension cost recognised in the statement of financial performance in the year was £71m (2008: £73m), with contributions paid of £108m (2008: £98m).

The sensitivity of the Group's retirement benefit obligations to different actuarial assumptions is as follows:

	Percentage points/years	Increase/ (decrease) in obligations %	Increase/ (decrease) in obligations £m
Increase in discount rate	0.5%	(7.7)	(204)
Increase in inflation rate	0.5%	5.7	151
Increase in salary above inflation	0.5%	0.5	13
Increase in life expectancy	one year	3.6	96

## 15 Movements in equity

For the year ended 31 December 2009

	Called-up share capital £m	Share premium account £m	Equity component of preference shares £m	Special reserve £m	Share of joint ventures' and associates' reserves £m	Other reserves		Retained profits £m	Non-controlling interests £m	Total £m
						Merger reserve £m	Other £m			
At 1 January 2009	239	54	16	139	230	-	79	104	4	865
Net profit for the year	-	-	-	-	83	-	-	130	-	213
Actuarial losses on retirement benefit obligations	-	-	-	-	-	-	-	(350)	-	(350)
Fair value revaluations	-	-	-	-	-	-	-	-	-	-
- PPP financial assets	-	-	-	-	(79)	-	(1)	-	-	(80)
- PPP cash flow hedges	-	-	-	-	(11)	-	16	-	-	5
- Other cash flow hedges	-	-	-	-	-	-	(2)	-	-	(2)
Changes in fair value of net investment hedges	-	-	-	-	-	-	18	-	-	18
Currency translation differences	-	-	-	-	(10)	-	(67)	-	-	(77)
Tax on items taken directly to equity	-	-	-	-	26	-	(5)	99	-	120
Total comprehensive income/(expense) for the year	-	-	-	-	9	-	(41)	(121)	-	(153)
Ordinary dividends	-	-	-	-	-	-	-	(63)	-	(63)
Joint ventures' and associates' dividends	-	-	-	-	(75)	-	-	75	-	-
Issue of ordinary shares	104	3	-	-	-	252	-	-	-	359
Rights issue expenses	-	-	-	-	-	-	-	(3)	-	(3)
Movements relating to share-based payments	-	-	-	-	-	-	1	-	-	1
Transfers	-	-	-	(107)	-	(3)	-	110	-	-
At 31 December 2009	343	57	16	32	164	249	39	102	4	1,006

For the year ended 31 December 2008

	Called-up share capital £m	Share premium account £m	Equity component of preference shares £m	Special reserve £m	Share of joint ventures' and associates' reserves £m	Other reserves		(Accumulated losses)/ retained profits £m	Non-controlling interests £m	Total £m
						Merger reserve £m	Other reserves £m			
At 1 January 2008	216	52	16	164	178	-	9	(152)	-	483
Net profit for the year	-	-	-	-	72	-	-	124	-	196
Actuarial losses on retirement benefit obligations	-	-	-	-	(14)	-	-	(62)	-	(76)
Fair value revaluations	-	-	-	-	-	-	-	-	-	-
- PPP financial assets	-	-	-	-	100	-	2	-	-	102
- PPP cash flow hedges	-	-	-	-	(73)	-	(34)	-	-	(107)
- Other cash flow hedges	-	-	-	-	(3)	-	2	-	-	(1)
Changes in fair value of net investment hedges	-	-	-	-	-	-	(105)	-	-	(105)
Currency translation differences	-	-	-	-	27	-	189	-	1	217
Tax on items taken directly to equity	-	-	-	-	(4)	-	12	17	-	25
Total comprehensive income for the year	-	-	-	-	105	-	66	79	1	251
Ordinary dividends	-	-	-	-	-	-	-	(54)	-	(54)
Joint ventures' and associates' dividends	-	-	-	-	(53)	-	-	53	-	-
Issue of ordinary shares	23	2	-	-	-	161	-	-	-	186
Movements relating to share-based payments	-	-	-	-	-	-	4	(8)	-	(4)
Non-controlling interests	-	-	-	-	-	-	-	-	3	3
Transfers	-	-	-	(25)	-	(161)	-	186	-	-
At 31 December 2008	239	54	16	139	230	-	79	104	4	865

## 16 Notes to the statement of cash flows

	2009 £m	2008 £m
<b>16.1 Cash generated from operations comprises:</b>		
Profit from operations	297	251
Exceptional reduction in pension past service liabilities	(100)	(60)
Share of results of joint ventures and associates	(83)	(72)
Depreciation of property, plant and equipment	69	65
Amortisation of other intangible assets	48	27
Pension deficit payments	(35)	(38)
Movements relating to share-based payments	7	9
Profit on disposal of property, plant and equipment	(4)	(4)
Impairment of inventory	2	-
Impairment of property, plant and equipment	2	-
Other non cash items	1	5
Operating cash flows before movements in working capital	204	183
Decrease in working capital	90	114
Cash generated from operations	294	297
<b>16.2 Cash and cash equivalents comprise:</b>		
Cash and deposits	464	379
Term deposits	144	82
PPP cash balances	10	2
Bank overdrafts	(10)	(10)
	608	453
<b>16.3 Analysis of net cash:</b>		
Bank overdrafts	(10)	(10)
Other short-term loans	(13)	(2)
Finance leases	(13)	(9)
Cash and deposits	464	379
Term deposits	144	82
	572	440
PPP non-recourse project finance		
- Sterling floating rate term loan (2008-2027)	(24)	(27)
- Sterling floating rate term loan (2011-2030)	(19)	(13)
- Sterling floating rate term loan (2012-2031)	(13)	(6)
- Sterling floating rate term loan (2010-2034)	(174)	(99)
- Sterling floating rate term loan (2012-2037)	(28)	-
PPP cash and cash equivalents	10	2
Net cash	324	297
A significant part of the PPP non-recourse project finance floating rate term loans has been swapped into fixed rate debt by the use of interest rate swaps.		
<b>16.4 Analysis of movement in net cash:</b>		
Opening net cash	297	313
Net increase in cash and cash equivalents	185	2
Acquisitions – borrowings at date of acquisition	(14)	(29)
Proceeds from new loans	(121)	(81)
Repayment of loans	4	18
Repayment of finance leases	3	2
Currency translation differences	(30)	72
Closing net cash	324	297
<b>16.5 Borrowings</b>		
During the year to 31 December 2009 the significant movements in borrowings were an increase of £116m (2008: £81m increase) in non-recourse borrowings funding the development of financial assets in PPP subsidiaries, the inclusion of £14m (2008: £29m) of borrowings in acquired companies and repayment of £4m (2008: £18m) of loans.		

## 17 Contingent liabilities

The Company and certain subsidiary undertakings have, in the normal course of business, given guarantees and entered into counter-indemnities in respect of bonds relating to the Group's own contracts and given guarantees in respect of the Group's share of certain contractual obligations of joint ventures and associates and certain retirement benefit obligations of the Balfour Beatty Pension Fund and the Parsons Brinckerhoff pension scheme. Where the Company enters into such agreements, it considers them to be insurance arrangements, and accounts for them as such. Guarantees are treated as contingent liabilities until such time as it becomes probable that the Company will be required to make payment under the guarantee.

An associate is a member of a multi-employer defined benefit pension plan where there is insufficient information on which to base a reliable estimate of any potential defined benefit obligation and accordingly the associate is accounting for the plan as a defined contribution plan. Under certain circumstances it is possible that additional contributions may be made to fund the deficit attributable to the associate, however no reliable estimate can be made of whether and to what extent a liability may crystallise.

Provision has been made for the Directors' best estimate of known legal claims, investigations and legal actions in progress. The Group takes legal advice as to the likelihood of success of claims and actions and no provision 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.

**18 Principal risks and uncertainties**

The principal risks and uncertainties to which the Group is exposed are detailed in the Annual report and accounts 2009. These include: the impact of the external economic environment including government policy, commercial counterparty solvency and legal and regulatory requirements; strategic risks over acquisitions and investments; organisational and management risks including human resources, business conduct, information technology and information security; financial and treasury risks including the pension deficit and costs; and delivery and operational risks including bidding, joint ventures, project delivery, supply chain risk and health, safety and environmental risks.

The Group has a continued focus on the infrastructure sector in various markets. The risk of changes in the expenditure of government and/or regulated bodies in any one country is mitigated by the geographical spread of countries in which the Group operates. A significant proportion of the Group's revenue flows from contracts founded upon government policy and/or public funding. The current economic environment may cause some customers to delay or postpone their capital investment and asset maintenance plans which would impact the Group's order book. The difficult economic environment has increased competition in tenders for work in some private markets and resulted in delays in the completion of project financing.

**19 Related party transactions**

The Group has contracted with, provided services to, and received management fees from, certain joint ventures and associates amounting to £939m (2008: £693m). These transactions occurred in the normal course of business at market rates and terms. In addition, the Group procured equipment and labour on behalf of certain joint ventures and associates which were recharged at cost with no mark-up. The amount due from joint ventures and associates from trading activities was £20m (2008: £20m). The amount due to joint ventures and associates from trading activities was £41m (2008: £31m).

**20 Post balance sheet events**

On 29 January 2010 the Group acquired Multibuild Hotels and Leisure Limited and Multibuild Interiors Limited for a cash consideration of £1.9m. Multibuild Hotels and Leisure Limited and Multibuild Interiors Limited, based in Stockport UK, specialise in the construction and fit-out of hotel and leisure facilities. As the companies have been acquired recently, at the date of authorisation of these accounts it is impracticable to determine the fair value of the net assets and goodwill acquired.

**21 5 year historical earnings per share information restated for the bonus element of the 2009 rights issue**

	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
Adjusted earnings per ordinary share	34.7	34.7	30.5	23.8	21.0
Basic earnings per ordinary share	37.4	37.4	30.6	18.4	21.7
Diluted earnings per ordinary share	37.3	37.2	30.3	18.3	21.5
Proposed dividends per ordinary share	12.0	11.1	10.0	7.9	7.1

The per share information for prior periods has been restated for the bonus element of the 2009 rights issue as described in Note 7.

## 22 Comparative segment results based on previous segmentation

For the year ended 31 December 2009

	Building building management and services £m	Civil and specialist engineering and services £m	Rail engineering and services £m	Parsons Brinckerhoff £m	Investments £m	Corporate costs £m	Total £m
<b>Performance by activity:</b>							
Revenue including share of joint ventures and associates	4,976	3,136	1,132	248	829	18	10,339
Share of revenue of joint ventures and associates	(136)	(646)	(32)	(4)	(567)	-	(1,385)
Group revenue	4,840	2,490	1,100	244	262	18	8,954
Group operating profit	129	83	35	(1)	(12)	(35)	199
Share of results of joint ventures and associates	5	24	-	-	54	-	83
Profit from operations before exceptional items and amortisation	134	107	35	(1)	42	(35)	282
Exceptional items	(7)	(2)	(4)	(23)	(1)	100	63
Amortisation of intangible assets	(18)	(3)	(2)	(7)	(18)	-	(48)
Profit from operations	109	102	29	(31)	23	65	297
Investment income							32
Finance costs							(62)
Profit before taxation							267

For the year ended 31 December 2008

	Building, building management and services £m	Civil and specialist engineering and services £m	Rail engineering and services £m	Investments £m	Corporate costs £m	Total £m
<b>Performance by activity:</b>						
Revenue including share of joint ventures and associates	4,635	3,243	1,055	553	-	9,486
Share of revenue of joint ventures and associates	(137)	(656)	(39)	(393)	-	(1,225)
Group revenue	4,498	2,587	1,016	160	-	8,261
Group operating profit	84	85	39	(19)	(34)	155
Share of results of joint ventures and associates	4	19	2	50	-	75
Profit from operations before exceptional items and amortisation	88	104	41	31	(34)	230
Exceptional items	(1)	(5)	-	(5)	59	48
Amortisation of intangible assets	(14)	(3)	(1)	(9)	-	(27)
Profit from operations	73	96	40	17	25	251
Investment income						43
Finance costs						(24)
Profit before taxation						270

For the year ended 31 December 2007

	Building, building management and services £m	Civil and specialist engineering and services £m	Rail engineering and services £m	Investments £m	Corporate costs £m	Total £m
<b>Performance by activity:</b>						
Revenue including share of joint ventures and associates	3,640	2,668	785	394	1	7,488
Share of revenue of joint ventures and associates	(113)	(556)	(10)	(343)	-	(1,022)
Group revenue	3,527	2,112	775	51	1	6,466
Group operating profit	70	59	39	(25)	(30)	113
Share of results of joint ventures and associates	-	23	1	41	-	65
Profit from operations before exceptional items and amortisation	70	82	40	16	(30)	178
Exceptional items	(26)	(9)	2	-	-	(33)
Amortisation of intangible assets	(6)	(3)	-	-	-	(9)
Profit from operations	38	70	42	16	(30)	136
Investment income						42
Finance costs						(21)
Profit before taxation						157