

MWH EUROPE LIMITED

**Annual Report and Financial
Statements**

**For the year ended 31 December
2012**

THURSDAY



A29G41WO

A24

30/05/2013

#134

COMPANIES HOUSE

MWH EUROPE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS 2012

CONTENTS	Page
Officers and professional advisers	1
Directors' report	2
Directors' responsibilities statement	7
Independent auditor's report	8
Consolidated profit and loss account	10
Consolidated statement of total recognised gains and losses	10
Consolidated balance sheet	11
Company balance sheet	12
Notes to the financial statements	13

MWH EUROPE LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

W Drossaert
J Abraham (appointed 4 April 2012)
G Sanderson (appointed 4 May 2012)
J Kuiken (appointed 4 April 2012)
R Uhler (resigned 4 April 2012)
A Krause (resigned 4 April 2012)
A Cowell (resigned 5 April 2012)
I Noble (resigned 5 April 2012)
D Smith (resigned 4 April 2012)

SECRETARIES

V Hail-Sturt
S Moist
GP Maloney (appointed 5 November 2012)

REGISTERED OFFICE

Terriers House
201 Amersham Road
High Wycombe
Buckinghamshire
HP13 5AJ

BANKERS

Barclays Bank plc
PO Box 41
High Wycombe
HP11 2BQ

AUDITOR

Deloitte LLP
Chartered Accountants and Statutory Auditor
St Albans
United Kingdom

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the year ended 31 December 2012

ACTIVITIES

MWH Europe is part of a global strategic consulting technical engineering and construction management firm focused on wet infrastructure. MWH Europe is dedicated to innovation and committed to mastering and applying emerging technologies to create client-focused results. It has engaged in the consulting, engineering, construction, and management of some of the largest and most technically significant wet infrastructure projects in the world all supporting its overall mission of Building a Better World.

BUSINESS REVIEW

Market conditions and trends

The MWH key markets are

- **Water Sector** – The current five year investment period, AMP5, commenced in April 2010 with an increased level of capital investment. The Directors consider that the medium-range trend for the water sector is good.
- **Energy Sector** – There is significant increased investment required to meet current and future energy demands and increase security of energy supply. The medium-range trend for the energy sector is very good.
- **Solid Waste Sector** – This market sector has a strong portfolio of work in the short and medium-term.
- **Infrastructure Sector** – Public and private investment is targeted at national infrastructure and the medium-range trend for the infrastructure sector is good.

Regulatory environment

In our major water sector market OFWAT regulation remains stable. The situation is similar for the regulated energy market.

Business objectives and strategies and plans for growth (organic vs acquisitions)

The Directors expect to continue to grow the business mainly through targeted organic growth in 2013.

Employees

Consultation with employees occurs at all levels, with the aim of ensuring that their views are considered when decisions are made that are likely to affect their interests, and so that all employees are aware of the financial performance of their own business units and of the company as a whole.

Regular meetings are held with employee representatives to discuss the company's financial position and prospects. Opportunity is given at these meetings for senior executives to be questioned about matters that concern employees.

We encourage the involvement of all employees in the performance of the company through the global employee share and bonus schemes.

DIRECTORS' REPORT (CONTINUED)

Employees (continued)

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of a disabled person should be, as much as possible, identical to that of a person who does not suffer from a disability.

Staff resourcing

Staff numbers have seen a small increase during 2012 to ensure we are correctly positioned to enable the group to meet the demands of current workloads and new projects.

Principal risks and uncertainties

- In current market conditions, speed of growth in our other key sectors of energy, solid waste and infrastructure remains challenging and is an area of risk against our plans.
- Incentive based arrangements on a number of our contracts are linked to meeting performance targets and are another principal area of uncertainty as these only get determined on completion of the contract.
- The current economic outlook within a number of European countries poses a risk to our European businesses due to the restrictions on public spend and tight fiscal policies.
- Continuing economic unrest in the Middle East still poses a risk to the longer term plan for these operations.

Financial risk management

The group is exposed to financial risks including credit risk, cash flow risk and liquidity risk.

Cash flow risk

The group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. No mitigating policies are in place at company level but are in place at ultimate parent company level to mitigate significant exposures.

Credit risk

The group's principal financial assets are bank balances and cash and trade and other receivables.

The group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for on-going operations and future developments, MWH Europe has access to direct borrowing under the group facility of up to \$200 million.

DIRECTORS' REPORT (CONTINUED)

Corporate social responsibility

MWH Europe has a long track record of corporate responsibility that can be tracked back 160 years to the pioneering of large schemes that brought a continuous supply of water to homes in England, thereby preventing illness because of the lack of a clean water supply and effective sanitation. Sixteen decades later we are continuing to help meet these basic human requirements through projects and programmes across the continents. Also, through our support for organisations such as the international charity WaterAid and the Register of Engineers for Disaster Relief (RedR), we are helping to provide clean water and sanitation to those in need in developing countries.

Environment and climate change initiatives

MWH Europe is proud to be part of the Clinton Global Initiative and we are continuing to deliver on our climate change commitment. We have pledged to cut our own carbon emissions, to help clients cut theirs and to educate communities on the need to tackle climate change. Our pioneering work in carbon measurement, flood adaptation and renewable energy projects has placed us at the vanguard of global efforts to combat climate change. We also have a strong commitment to social care, investing in people and contributing to communities. We are proud of the many ways in which our staff give back to the communities we serve through volunteering and fundraising activities.

Two key initiatives relate to climate change and community. MWH Europe has adopted a global climate change commitment based on three key objectives: client engagement to raise awareness and action, carbon footprint reduction and offsetting, and education of the communities that we work in. Community involvement is coordinated locally in each of our offices, involving many of our staff in volunteering and fundraising activities.

Joint ventures

The group has four current Joint Ventures in the UK: 4Delivery (a JV between Veolia, Costain and MWH UK Ltd) delivering work for Southern Water, Watermark (a JV between Black & Veatch and MWH UK Ltd) delivering work for Yorkshire Water, Optimise (a JV between Clancy Docwra, Drilton Ltd, Barhale and MWH UK Ltd) delivering work for Thames Water, and SISTech (a small research venture with Heriot-Watt University).

There are also three current Joint Ventures outside of the UK: MWH Gulf Consult (a Kuwaiti JV between Gulf Consult and MWH UK Ltd), MWH & I (a Cypriot JV between MWH SA and Antonis Ioannou) and MWH Khonji (a Bahraini JV between MWH Europe Ltd and Ismail Khonji Associates).

Going concern

The Directors consider it appropriate to adopt the going concern basis in preparing the 2012 financial statements for the following reasons:

- The group has traded profitably during 2012,
- Medium term business prospects are good during the current AMP cycle and this is consistent with the Directors forecasts for the business, and
- Cash resources remain adequate throughout the forecast period.

Further details regarding the adoption of the going concern basis can be found in the Accounting Policies statement, page 13 of the financial statements.

DIRECTORS' REPORT (CONTINUED)**Financial review**

Below is a summary of the consolidated group financial performance over the last four years

	2012	2011	2010	2009
	£000s	£000s	£000s	£000s
Gross revenues (excluding joint ventures)	158,242	153,064	144,376	156,970
Gross profit	54,784	52,714	60,255	63,175
Operating profit/(loss)	7,808	5,870	8,844	(1,481)
Operating profit margin	4.9%	3.8%	6.1%	(0.9%)

Gross revenues for the year to 31 December 2012 increased for the group by 2.3% from 2011. Revenues for MWH UK, which is the most significant subsidiary in the group increased in line with the Directors' expectations at this stage of the AMP cycle. Revenues for the rest of the group also increased in line with expectation.

The operating profit for the year was £7,808,000. This profit has increased compared to prior year due to a prior year bad debt charge of £790,000 and current year foreign exchange gains of £833,000. The group has also seen a general improvement in trading across Europe.

The profit for the year of £6,199,000 (2011: £4,300,000) has been transferred to reserves.

The financial position of the company is set out on page 11. The cash balance has decreased from £13,096,000 to £9,750,000 as a result of the cash generated from operations being offset by the dividend paid in the year and the investment in tangible fixed assets.

DIVIDENDS

A dividend of £5,000,000 was proposed and paid in the year (2011: £nil).

DIRECTORS

The Directors who served during the year and since the year end are noted on page 1.

DIRECTORS' REPORT (CONTINUED)

AUDITOR

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

- 1 so far as the Director is aware, there is no relevant information of which the company's auditor is unaware, and
- 2 the Director has taken all the steps that he/she ought to have taken as a Director in order to make him/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information

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

Deloitte LLP have expressed their interest in continuing as independent auditor and a resolution for their re-appointment will be proposed at the forthcoming Annual General Meeting

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



G Sanderson
Director

23rd May 2013

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of the profit or loss of the group for that period. In preparing these financial statements, the Directors are required to

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MWH EUROPE LIMITED

We have audited the financial statements of MWH Europe Limited for the year ended 31 December 2012 which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated and Company Balance Sheets and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2012 and of the group's profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MWH EUROPE LIMITED (continued)

Matters on which we are required to report by exception

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

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

Heather Bygrave

Heather Bygrave (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
St Albans, United Kingdom
24 May 2013

MWH EUROPE LIMITED

CONSOLIDATED PROFIT & LOSS ACCOUNT Year ended 31 December 2012

	Note	2012 £'000	2011 £'000
Turnover, Group and Share of Joint Ventures		159,742	155,194
Less Share of Joint Ventures		(1,500)	(2,130)
GROUP TURNOVER	2	158,242	153,064
Cost of sales		(103,458)	(100,350)
GROSS PROFIT		54,784	52,714
Administrative expenses		(46,976)	(46,844)
GROUP OPERATING PROFIT		7,808	5,870
Share of operating profit in joint ventures		90	86
OPERATING PROFIT	3	7,898	5,956
Interest receivable and similar income	5	565	669
Interest payable and similar charges	5	(354)	(514)
Other finance costs	19	(588)	(167)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		7,521	5,944
Tax charge on profit on ordinary activities	6	(1,322)	(1,644)
PROFIT FOR THE FINANCIAL YEAR	15, 18	6,199	4,300

The results for the current and prior years arose entirely from continuing operations

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES Year ended 31 December 2012

	Note	2012 £'000	2011 £'000
Profit for the financial year	15	6,199	4,300
Loss on retranslation of foreign subsidiaries	15	(570)	(672)
Actuarial loss on the defined benefit pension scheme	19	(2,801)	(1,963)
Deferred taxation attributable to the actuarial loss	13	644	491
Total recognised gains and losses for the financial year		3,472	2,156

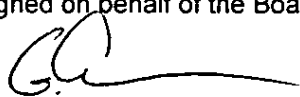
MWH EUROPE LIMITED

CONSOLIDATED BALANCE SHEET As at 31 December 2012

	Note	2012 £'000	2012 £'000	2011 £'000	2011 £'000
FIXED ASSETS					
Intangible assets – Goodwill	7		716		1,084
Tangible assets	8		7,558		6,224
Investments in joint ventures					
Share of assets		1,242		1,366	
Share of liabilities		(438)		(472)	
	9		804		894
			9,078		8,202
CURRENT ASSETS					
Debtors amounts falling due within one year	10		59,613		59,942
Cash at bank and in hand			9,750		13,096
			69,363		73,038
CREDITORS: amounts falling due within one year	11		(38,090)		(40,044)
NET CURRENT ASSETS			31,273		32,994
TOTAL ASSETS LESS CURRENT LIABILITIES			40,351		41,196
CREDITORS: amounts falling due after more than one year	12		(549)		(397)
NET ASSETS excluding pensions liability			39,802		40,799
Pension liability	19		(4,988)		(4,457)
NET ASSETS including pensions liability			34,814		36,342
CAPITAL AND RESERVES					
Called-up share capital	14		10,000		10,000
Profit and loss account	15		23,163		24,662
Revaluation reserve	16		1,651		1,680
SHAREHOLDER'S FUNDS	18		34,814		36,342

These financial statements of MWH Europe Ltd, registered number 2438136 were approved by the Board of Directors on 23rd May 2013

Signed on behalf of the Board of Directors



G Sanderson
Director

MWH EUROPE LIMITED

COMPANY BALANCE SHEET As at 31 December 2012

	Note	2012 £'000	2011 £'000
FIXED ASSETS			
Investments	9	16,439	15,699
Tangible assets	8	14	24
		<u>16,453</u>	<u>15,723</u>
CURRENT ASSETS			
Debtors amounts falling due within one year	10	15,654	18,907
Cash at bank and in hand		2,770	6,514
		<u>18,424</u>	<u>25,421</u>
CREDITORS amounts falling due within one year	11	(23,708)	(26,030)
NET CURRENT LIABILITIES		<u>(5,284)</u>	<u>(609)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		11,169	15,114
CREDITORS: amounts falling due after more than one year	12	(467)	(376)
NET ASSETS		<u>10,702</u>	<u>14,738</u>
CAPITAL AND RESERVES			
Called-up share capital	14	10,000	10,000
Profit and loss account	15	702	4,738
SHAREHOLDER'S FUNDS		<u>10,702</u>	<u>14,738</u>

The financial statements of MWH Europe Limited, registered number 2438136 were approved by the Board of Directors on 23rd May 2013

Signed on behalf of the Board of Directors



G Sanderson
Director

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

1 ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom law and accounting standards. They have all been applied consistently throughout the year and the preceding year. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention, modified to include the revaluation of land and buildings.

Going concern

Whilst the future economic outlook appears uncertain, after making enquiries, the Directors believe that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Financial Statements. In considering the basis of preparation with regard to going concern, the Directors have prepared forecasts including cash flows for a period of not less than 12 months from the date of approval of these financial statements. The Directors have considered the impact of current economic conditions and have taken account of possible changes in the level and timing of cashflows.

Basis of consolidation

The consolidated financial statements incorporate the accounts of the Company and all of its subsidiary undertakings. The financial statements of all subsidiaries are prepared to 31 December annually. The results of subsidiaries acquired are included in the profit and loss account from the date that control passes to the Group. Intra-group transactions are eliminated fully on consolidation.

The Group's share of profits less losses of joint ventures is included in the consolidated profit and loss account and the Group's share of their net assets is included in the consolidated balance sheet.

Turnover

Turnover represents the value of services rendered during the year, stated net of value added tax. Revenue from rendering services is recognised by reference to the stage of completion when the amount of revenue can be measured reliably and it is probable that economic benefits associated with a transaction will flow to the company. Interest income is accrued on a time basis, by reference to the principal amount outstanding and at the effective interest rate applicable. Where payments are received from customers in advance of services provided, the amounts are recorded as Deferred Income and included as part of Creditors due within one year.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rate prevailing at the balance sheet date. Transactions during the year are translated at the rate prevailing at the date of transaction. Exchange differences arising are accounted for in the profit and loss account. Foreign subsidiaries are translated using the closing rate ruling at the balance sheet date, profit/loss at average rates. Exchange differences arising are recorded as a movement in reserves.

Goodwill

Goodwill arising on consolidation represents the excess of the consideration given over the fair value of the identifiable net assets acquired. Goodwill is capitalised on the balance sheet and amortised over its useful life, not exceeding 10 years. Provision is made for any impairment.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 December 2012

1. ACCOUNTING POLICIES (CONTINUED)

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation net of any depreciation and any provision for impairment. Depreciation is provided to write down the cost of fixed assets in equal annual instalments over their estimated useful economic life. The rates of depreciation are as follows:

Freehold buildings	50 years on original building and over 10 years on improvements
Freehold land	Not depreciated
Motor vehicles	4 years
Plant and equipment	3 to 5 years

Revaluation of properties

Individual freehold properties are revalued every 3 years with the surplus or deficit on book value being transferred to the revaluation reserve, except that a deficit which is in excess of any previously recognised surplus over depreciated cost relating to the same property, or the reversal of such a deficit, is charged (or credited) to the profit and loss account. A deficit which represents a clear consumption of economic benefits is charged to the profit and loss account regardless of any such previous surplus.

On the disposal or recognition of a provision for impairment of a revalued fixed asset, any related balance remaining in the revaluation reserve is also transferred to the profit and loss account as a movement on reserves.

Fixed asset investments

Investments are carried on a historical cost basis, subject to adjustments for impairment.

Amounts recoverable on contracts

Where it is considered that the outcome of a long term contract can be assessed with reasonable certainty before its conclusion, the attributable profit is calculated as that part of the total profit currently estimated to arise over the duration of the contract that fairly reflects the profit attributable to that part of the work performed at the accounting date. Where losses on contracts are expected, full provision is made for the estimated losses to the end of contracts in question.

Taxation

UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Deferred taxation 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 tax rates and laws that have been enacted or substantively enacted by the balance sheet date. 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 is not provided on timing differences arising from the revaluation of fixed assets where there is no binding contract to dispose of these assets. Deferred tax is not provided on unremitted earnings where there is no binding commitment to remit these earnings. 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 December 2012

1 ACCOUNTING POLICIES (CONTINUED)

Leases

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the term of the lease.

Pension costs

For defined benefit schemes the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Cash flow statement and related party disclosures

The group is wholly owned by MWH Global Inc. which produce publicly available financial statements and consequently has taken advantage of the exemption from preparing a cash flow statement under paragraph 5(a) of Financial Reporting Standard 1. The company is also exempt under paragraph 3(c) of Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of the MWH Holding BV group or investees of the MWH Holding BV group.

2. GROUP TURNOVER

All turnover for the years ended 31 December 2012 and 2011 is attributable to the principal activity of the group being management consultancy, programme management, engineering and consultancy to the infrastructure industry. Turnover is split geographically as follows:

	2012	2011
	£'000	£'000
United Kingdom	83,898	85,549
Rest of Europe	47,943	51,896
Rest of the world	26,401	15,619
	<u>158,242</u>	<u>153,064</u>

There is no material difference between the analysis of turnover by geographical origin and geographical market.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 December 2012

3 OPERATING PROFIT

	2012	2011
	£'000	£'000
Operating profit for the year is stated after charging/(crediting)		
Amortisation of intangibles	381	377
Depreciation		
Owned assets	1,749	1,549
Lease assets	41	144
Operating lease charges		
Plant and equipment	1,254	1,392
Other	3,586	3,699
Bad Debt provision	30	790
Redundancy costs	787	1,090
Foreign exchange (gain)/loss	(833)	169

The analysis of auditor's remuneration is as follows

	2012	2011
	£'000	£'000
Fees payable to the Company's auditors for the audit of the Company's annual accounts	34	30
• Fees payable to the company's auditor and associates for other services to the Group		
- The audit of the Company's subsidiaries pursuant to legislation	167	170
Total audit fees	<u>201</u>	<u>200</u>
Tax services	180	147
Total tax services	<u>180</u>	<u>147</u>
Total fees	<u><u>381</u></u>	<u><u>347</u></u>

As permitted by section 408 of The Companies Act 2006, the profit and loss account of the parent company is not presented as part of these accounts. The profit of the parent company for the financial year was £469,000 (2011: £696,000).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 December 2012

4. STAFF COSTS AND ANALYSIS

	2012 £'000	2011 £'000
Directors' remuneration		
Aggregate emoluments	585	640
Pension contributions	67	74
	<u>652</u>	<u>714</u>
 Emoluments of the highest paid Director	 <u>251</u>	 <u>286</u>

The highest paid Director's pension contributions in the year amounted to £12,059 (2011 £12,461). They are not a member of the defined benefit pension scheme and therefore have no accrued entitlements (2011 £nil). There is no accrued lump sum (2010 £nil).

	2012 No.	2011 No.
Number of Directors who are members of the defined benefit pension scheme	<u>3</u>	<u>3</u>

	2012 £'000	2011 £'000
All employees (including Directors)		
Wages and salaries	51,906	53,856
Social security costs	6,760	7,094
Other pension costs	8,354	8,467
	<u>67,020</u>	<u>69,417</u>

	2012 No.	2011 No.
Average number of persons employed (including Directors)		
Engineering	1,573	1,573
Marketing	25	21
Administration	277	211
	<u>1,875</u>	<u>1,805</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 December 2012

5. INTEREST

	2012	2011
	£'000	£'000
Interest receivable and similar income		
Bank interest	72	84
Interest received from tax authorities	24	-
Interest receivable from group undertakings	469	585
	<u>565</u>	<u>669</u>
Interest payable and similar charges		
Interest payable on bank loans and overdrafts	84	305
Finance charges payable under finance leases and hire purchase contracts	9	11
Interest paid to tax authorities	42	-
Interest payable to group undertakings	219	198
	<u>354</u>	<u>514</u>

6 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2012	2011
	£'000	£'000
The tax charge comprises		
Current tax		
United Kingdom corporation tax at 24.5% (2011: 26.5%) based on the profit for the year	1,160	1,665
Overseas taxation	325	169
Adjustments in respect of prior years	(995)	(1,761)
Total current tax charge	<u>490</u>	<u>73</u>
Deferred tax		
Timing differences, origination and reversal	83	167
Changes in deferred tax on pension liability	521	1,181
Effect of change in tax rate – non pension	47	78
Effect of change in tax rate – pension	120	174
Prior year adjustment	61	(29)
Total deferred tax	<u>832</u>	<u>1,571</u>
Tax charge on profit on ordinary activities	<u>1,322</u>	<u>1,644</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 December 2012

6 TAX ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

FACTORS AFFECTING THE CURRENT TAX CHARGE FOR THE YEAR

The tax assessed for the year is lower (2011: lower) than that resulting from applying the standard rate of corporation tax in the UK: 24.5% (2011: 26.5%). The differences are explained below:

	2012	2011
	£'000	£'000
Profit on ordinary activities before tax	7,521	5,944
Tax at 24.50% (2011: 26.50%) thereon	1,843	1,575
Effects of:		
Expenses not deductible for tax purposes	63	564
R&D Tax Credit	(207)	-
Depreciation in excess of capital allowances	59	85
Tax losses carried forward	49	821
Movement in short term timing differences	(647)	(1,380)
Differences in overseas tax rates and basis	325	169
Adjustments in respect of prior years	(995)	(1,761)
Current tax charge for year	490	73

Factors affecting tax charge in future periods

The corporation tax rate has been reduced from 26% to 24% with effect from 1 April 2012. The legislation to reduce the tax rate to 23% from 1 April 2013 was substantively enacted on 3 July 2012. The prevailing rate of corporation tax at the balance sheet date at which the deferred tax will reverse is therefore 23% and this has been applied to calculate the deferred tax provision at 31 December 2012 (2011: 25%). Further reductions in the UK corporation tax rate to 21% from 1 April 2014 and to 20% from 1 April 2015 have not yet been substantively enacted and have therefore not been taken into account in the closing deferred tax balances.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 December 2012

7 INTANGIBLE FIXED ASSETS

	Goodwill
Group	£'000
Cost	
At 1 January 2012	3,100
Exchange differences	(6)
Additions	16
At 31 December 2012	3,110
Amortisation	
At 1 January 2012	2,016
Amortisation	381
Exchange differences	(3)
At 31 December 2012	2,394
Net book value	
At 31 December 2012	716
At 31 December 2011	1,084

Exchange differences arise from retranslation of Euro denominated goodwill arising from the acquisition of MWH Spa

8. TANGIBLE FIXED ASSETS

Group	Freehold land and buildings £'000	Plant and equipment £'000	Motor vehicles £'000	Total £'000
Cost or valuation				
At 1 January 2012	3,319	11,554	101	14,974
Exchange differences	(13)	(120)	(2)	(135)
Additions	-	3,214	-	3,214
Disposals	-	(976)	-	(976)
At 31 December 2012	3,306	13,672	99	17,077
Depreciation				
At 1 January 2012	71	8,612	67	8,750
Exchange differences	(7)	(74)	(2)	(83)
Charge for the year	59	1,718	13	1,790
Disposals	-	(938)	-	(938)
At 31 December 2012	123	9,318	78	9,519
Net book value				
At 31 December 2012	3,183	4,354	21	7,558
At 31 December 2011	3,248	2,942	34	6,224

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 December 2012

8. TANGIBLE FIXED ASSETS (CONTINUED)

Assets held under finance leases and capitalised in plant and machinery include

	2012	2011
	£'000	£'000
Cost	1,111	1,476
Depreciation	(978)	(1,438)
Net book value	<u>133</u>	<u>38</u>

The group's freehold property in High Wycombe was revalued at 25 February 2011 on the basis of existing use. The valuation was undertaken in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors by Deriaz Slater LLP, a firm of independent Chartered Surveyors.

The valuation has been incorporated into the 2010 financial statements and the resulting valuation adjustments have been taken to the revaluation reserve.

At 31 December 2012, the Directors are not aware of any material change in value and therefore the valuations have not been updated.

The historical cost of the property included at valuation is as follows:

	Valuation	Cost	Valuation	Cost
	2012	2012	2011	2011
	£'000	£'000	£'000	£'000
Land	1,870	1,372	1,870	1,372
Building	1,346	799	1,346	799
Accumulated depreciation on buildings	(106)	(741)	(53)	(688)
	<u>3,110</u>	<u>1,430</u>	<u>3,163</u>	<u>1,483</u>

Company	Plant and equipment
	£'000
Cost	
At 1 January 2012 and 31 December 2012	161
Depreciation	
At 1 January 2012	137
Charge in year	10
At 31 December 2012	147
Net book value	
At 31 December 2012	14
At 31 December 2011	24

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 December 2012

9. INVESTMENTS

	2012	2011
	£'000	£'000
Group		
Joint ventures		
Share of assets	1,242	1,366
Share of liabilities	(438)	(472)
	<u>804</u>	<u>894</u>
Investments at 1 January	894	970
Exchange gain	(34)	4
Distributions	(93)	(120)
Movement in equity account due to trading	(53)	(43)
Share of joint venture profit	90	83
	<u>804</u>	<u>894</u>
Investments at 31 December	<u>804</u>	<u>894</u>

	Share holding % in ordinary shares	Country of incorporation	Principal activity
Joint ventures and associates			
MWH & I	49	Cyprus	Consultant Engineers
MWH Khonji	49	Bahrain	Consultant Engineers
Montgomery Watson Gulf Consult	50	Kuwait	Consultant Engineers
Watermark (Yorkshire) Limited	50	UK	Consultant Engineers
4Delivery Limited	20	UK	Consultant Engineers
SISTech Limited	50	UK	Research institute
Optimise (Water) LLP	10	UK	Consultant Engineers

These joint ventures are either directly owned by MWH Europe Ltd or by its subsidiaries

The accounting periods for 4Delivery Limited and Optimise (Water) LLP ends on 31 March and for Watermark (Yorkshire) Limited ends on 30 April. These accounts incorporate the appropriate MWH share of unaudited results of both companies for the twelve months ending 31 December 2012.

	2012	2011
	£'000	£'000
Company		
Investments at 1 January	15,699	14,475
Capital injection into MWH SA	811	-
Capital injection into MWH India	646	-
Impairment of MWH India	(717)	-
Capital injection into MWH BV	-	1,224
	<u>16,439</u>	<u>15,699</u>
Investments at 31 December	<u>16,439</u>	<u>15,699</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 December 2012

9. INVESTMENTS (continued)

Principal Subsidiary Undertakings

Company	Country of incorporation	% of Equity Owned
MWH UK Limited	UK	100%
MWH SPA	Italy	100%
MWH SA	Belgium	100%
Pardevo SA	Belgium	100%
MWH Programme Management Limited	UK	100%
MWH India Pvt Limited	India	100%
Montgomery Watson Harza EOOD*	Bulgaria	100%
MWH BV	Netherlands	100%
MWH ResourceNet (India) Pvt Limited	India	100%
MWH UK & MWH SA/NV Joint Venture*	Cyprus	100%

* Owned indirectly

The company owns the shares in MWH UK Limited, MWH SPA, MWH SA, MWH Pardevo SA, MWH Programme Management Limited, MWH BV, MWH India Pvt Limited, and MWH ResourceNet (India) Pvt Limited

The main activities of all the subsidiaries include acting as consultants in civil engineering concerned with the design and construction of public health facilities, chiefly in the areas of water supply, pollution control, waste disposal and management and protection of the environment. A large portion of work for each company is traded in their country of registration

10. DEBTORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	Company		Group	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Trade debtors	1	25	19,031	17,881
Amounts recoverable on contracts	-	-	16,512	16,275
Amounts owed by group undertakings	13,763	17,241	15,229	16,826
Amounts owed by undertakings in which the company has a participating interest	-	-	112	98
Corporation tax	-	139	1,918	1,847
Deferred taxation (see note 13)	126	122	594	785
Other debtors	1,764	1,380	2,640	2,366
Prepayments and accrued income	-	-	3,577	3,864
	<u>15,654</u>	<u>18,907</u>	<u>59,613</u>	<u>59,942</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 December 2012

11. CREDITORS. AMOUNTS FALLING DUE WITHIN ONE YEAR

	Company		Group	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Trade creditors	-	-	6,303	6,623
Amounts owed to group undertakings	23,424	25,721	5,653	4,890
Amounts owed to undertakings in which the company has a participating interest	-	-	32	38
Obligations under finance lease	-	-	61	26
Other taxes and social security	154	214	3,774	5,104
Corporation tax	-	-	-	257
Other creditors	39	42	1,819	2,594
Accruals and deferred income	91	53	20,448	20,512
	<u>23,708</u>	<u>26,030</u>	<u>38,090</u>	<u>40,044</u>

12. CREDITORS. AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Company		Group	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Annuity	467	376	467	376
Obligations under finance lease	-	-	82	19
Other creditors	-	-	-	2
	<u>467</u>	<u>376</u>	<u>549</u>	<u>397</u>

Obligations under finance leases and hire purchase contracts

	2012	2011
	£'000	£'000
Minimum lease payments payable		
Within one year	61	26
Between one and five years	82	19
	<u>143</u>	<u>45</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 December 2012

13 DEFERRED TAXATION

As at 31 December 2012 and 31 December 2011 no amounts have been provided in respect of deferred taxation liabilities

No deferred tax assets have been recognised for accumulated tax losses within MWH SA and MWH Spa subsidiaries

The recoverability of these losses depends on there being sufficient taxable profits within these entities (and before these losses expire as in the case of MWH Spa) This is not currently considered sufficiently certain for the recoverability of these losses to be regarded as more likely than not and hence no deferred tax asset has been recognised

The unprovided deferred tax asset is

MWH SA	£1,293,000	(2011 £753,000)
MWH Spa	£nil	(2011 £41,000)
MWH BV	£518,000	(2011 £574,000)

MOVEMENT ON DEFERRED TAXATION ASSET BALANCE IN THE YEAR

	Company		Group	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Opening balance	122	167	785	1,001
Credited/(charged) to profit and loss account	13	(34)	(144)	(138)
Effect of change in corporation tax rate	(9)	(11)	(47)	(78)
Closing asset balance (note 10)	<u>126</u>	<u>122</u>	<u>594</u>	<u>785</u>

ANALYSIS OF PROVIDED DEFERRED TAXATION BALANCE

	Company		Group	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Capital allowances in excess of depreciation	9	13	309	422
Short term timing differences	117	109	285	363
Deferred tax asset (note 10)	<u>126</u>	<u>122</u>	<u>594</u>	<u>785</u>

	2012 £'000	2011 £'000
Movement on deferred taxation recognised on the pension liability		
At 1 January	1,487	2,351
Change in tax rate	(120)	(174)
Charged to the profit and loss account	(521)	(1,181)
Credited to the statement of total recognised gains and losses	644	491
At 31 December (note 19)	<u>1,490</u>	<u>1,487</u>

14 CALLED-UP SHARE CAPITAL

	2012 £'000	2011 £'000
Group and Company		
Called-up, allotted and fully paid		
10,000,000 ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 December 2012

15 PROFIT AND LOSS ACCOUNT

	Company		Group	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
At 1 January	4,738	4,042	24,662	22,506
Exchange movement	-	-	(570)	(672)
Actuarial (loss)/gain on the defined benefit pension scheme	-	-	(2,801)	(1,963)
Tax on actuarial loss on the defined benefit pension scheme	-	-	644	491
Dividends paid on equity shares (note 17)	(5,000)	-	(5,000)	-
Transfer from revaluation reserve (note 16)	-	-	29	-
Profit for the financial year	964	696	6,199	4,300
At 31 December	<u>702</u>	<u>4,738</u>	<u>23,163</u>	<u>24,662</u>
Retained profit excluding pension liability	702	4,738	28,151	29,119
Pensions liability (note 18)	-	-	(4,988)	(4,457)
Retained profit	<u>702</u>	<u>4,738</u>	<u>23,163</u>	<u>24,662</u>

16. REVALUATION RESERVE

Group

	2012	2011
	£'000	£'000
At 1 January	1,680	1,680
Transfer to P&L reserve (note 15)	(29)	-
At 31 December	<u>1,651</u>	<u>1,680</u>

17. DIVIDENDS ON EQUITY SHARES

Amounts recognised as distributions to equity holders in the year

	2012	2011
	£'000	£'000
Final dividend proposed and paid (50p per ordinary share)	<u>5,000</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 December 2012

18 RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

Group	2012 £'000	2011 £'000
Shareholder's funds at 1 January	36,342	34,186
Profit for the financial year	6,199	4,300
Actuarial loss on the defined benefit pension scheme	(2,801)	(1,963)
Tax on actuarial loss on the defined benefit pension scheme	644	491
Exchange losses	(570)	(672)
Dividends paid on equity shares (note 17)	(5,000)	-
Shareholder's funds at 31 December	<u>34,814</u>	<u>36,342</u>

19. PENSION SCHEME

The UK companies operate a pension scheme with two plans

(a) Defined Contribution Pension Plan

The assets of the UK defined contribution plan are held separately from those of the group in an independent fund administered on behalf of MWH UK Limited by Standard Life Limited until 30th November 2012 and then by AEGON UK Limited from 1st December 2012 onwards. Various other plans are maintained by the European subsidiaries. During the year, the group contributed £8,152,000 (2011 - £8,988,000) to several different defined contribution plans.

(b) Defined Benefit Pension Plan

The assets of the defined benefit plan are held separately from those of the company in an independent fund administered by Clerical Medical Investment Group Limited. This plan was closed to new members on 31st March 2005 and from that date existing members no longer accrued further benefits for pensionable service. The defined benefit plan has been replaced by the new defined contribution plan for service from 1 April 2005 onwards.

The plan is subject to triennial actuarial valuations. Results from the last triennial valuation, which was carried out by a qualified actuary as at 1 April 2011, indicated that there was a deficit (i.e. the plan's assets existing on the effective date did not fully cover its liabilities as at that date). The market value of the assets of the plan (including members' Additional Voluntary Contributions) at the date of the actuarial valuation was £58,681,000. However the actuarial total liabilities at the valuation date (including members' Additional Voluntary Contributions) were £69,230,000. Consequently the assets covered only 85% of the liabilities. In accordance with actuarial advice that the trustee received, the company intends to fund this deficit by making contributions over a 4 year period commencing April 2012.

A group contribution of approximately £3,025,000 per annum is currently being paid, covering all divisions of the plan. An additional £2,000,000 one off payment was made in 2011 to the pension scheme to reduce the deficit. In addition some administration expenses and the cost of insuring the lump sum death in service benefit are payable on top of this amount. The approximate employer contributions of £3,025,000 reflect a Recovery Plan of approximately 4 years agreed with the Plan Trustees requiring a contribution of 8.6% of total pensionable salaries per annum.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2012

19. PENSION SCHEME (CONTINUED)

The result of the triennial valuation is based on

Method of funding.

The defined benefits plan does not provide any future service benefits, so the contribution rate to fund the deficit is based on amortising the difference between the value placed on the plan assets and the present value of all accrued past service benefits earned up to the valuation date, with allowance for future indexation on the accrued benefits and taking into account the cost of securing the benefits at retirement with an annuity under the terms of the contract held with Clerical Medical Investment Group Limited

Assumptions used.

The overall expected return assumption is calculated as the weighted average of the individual expected return assumptions for each of the major asset classes. The individual return assumptions are based on investment market conditions in the UK, specifically with regard to yields on UK Government gilts, high quality AA rated corporate bonds and interest rates set by the Bank of England. Equity returns in well established global markets are generally expected to outperform the return on gilts by 3% pa or more in the long term and such anticipated outperformance has been taken into account in delivering the expected return from equity type investments.

The weightings used for the overall expected return are in line with the proportions invested in each of the major asset classes and a deduction to allow for investment expenses has been made.

The last valuation was updated at each balance sheet date by the actuary using the following assumptions

	2012	2011	2010
Discount rate at the end of the period	4.10%	4.80%	5.40%
Expected return on the plan assets	4.20%	4.20%	5.70%
Rate of increase in salaries	n/a	n/a	2.60%
Rate of future inflation	2.60%	2.60%	3.10%
Rate of increase in future pensions in payment, split			
Inflation linked up to 5% pa	3.50%	3.50%	2.60%
Inflation linked up to 2.5% pa	n/a	n/a	n/a
Mortality table pre retirement	None	None	A92
Mortality table post retirement, split			
Members not yet retired	PA92 C2020	PA92 C2020	PA92 C2020
Current pensioners	PA92 C2020	PA92 C2020	PA92 C2020
Allowance for early retirements	No	No	No
Allowance for members to commute pension for tax free cash	Yes	Yes	Yes

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 December 2012

19. PENSION SCHEME (CONTINUED)

The fair value of the assets of the defined benefit scheme, the present value of the liabilities in the scheme and the expected rate of return for each category of assets at each balance sheet date were

	2012	2011	2010	2009	2008
	£'000	£'000	£'000	£'000	£'000
Group pension contract	65,952	62,064	55,293	48,915	25,328
Total fair value of assets	65,952	62,064	55,293	48,915	25,328
Present value of liabilities	(72,430)	(68,008)	(64,000)	(67,136)	(33,832)
Deficit in the plan	(6,478)	(5,944)	(8,707)	(18,221)	(8,504)
Deferred taxation	1,490	1,487	2,351	5,102	2,381
Deficit after taxation	<u>(4,988)</u>	<u>(4,457)</u>	<u>(6,356)</u>	<u>(13,119)</u>	<u>(6,123)</u>

The scheme has purchased a number of annuities in respect of past retirements. These are understood to fully match the associated liabilities and so have been excluded from both the assets and liabilities at each accounting date.

Analysis of the defined benefit cost charged to operating profit

	2012	2011
	£'000	£'000
Current service cost	<u>(202)</u>	<u>(206)</u>
Total operating charge	<u>(202)</u>	<u>(206)</u>

Analysis of the amount charged to other finance costs

	2012	2011
	£'000	£'000
Expected return on scheme assets	2,592	3,177
Interest cost	<u>(3,180)</u>	<u>(3,344)</u>
Other finance costs	<u>(588)</u>	<u>(167)</u>

As the scheme is closed, under the projected unit method the current service cost will increase as the members of the scheme approach retirement.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 December 2012

19. PENSION SCHEME (CONTINUED)

Analysis of amount recognised in statement of total recognised gains and losses

	2012	2011
	£'000	£'000
Actual return less expected return on assets	1,987	2,689
Experience gains and losses arising on the scheme liabilities	(810)	310
Effects of changes in assumptions underlying the present value of scheme liabilities	(3,978)	(4,962)
	<u>(2,801)</u>	<u>(1,963)</u>
Actuarial loss recognised in the statement of total recognised gains and losses	<u>(2,801)</u>	<u>(1,963)</u>

The actual return on the plan assets during the period was £4,579,000 (2011 £5,866,000)

The fair value of the assets held at the balance sheet date were

	Expected rate of return 2012	Value 2012	Expected rate of return 2011	Value 2011
	%	£'000	%	£'000
Equities and property	5.50	37,592	5.55	34,570
Corporate bonds	2.50	25,062	2.55	24,391
Cash	2.50	3,298	2.55	3,103
	<u>4.20</u>	<u>65,952</u>	<u>4.20</u>	<u>62,064</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 December 2012

19 PENSION SCHEME (CONTINUED)

History of experience gains and losses

	2012	2011	2010	2009	2008
	£'000	£'000	£'000	£'000	£'000
Difference between the expected and actual return on scheme assets					
Amount (£'000)	1,987	2,689	5,151	(438)	6,202
Percentage of scheme assets	3.0%	4.3%	9.3%	(0.9%)	24.5%
Experience gains and losses on scheme liabilities					
Amount (£'000)	(810)	310	(193)	491	(2,273)
Percentage of the present value of scheme liabilities	(1.1%)	0.4%	(0.3%)	0.7%	(6.7%)
Total actuarial gain/(loss) in the statement of total recognised gains and losses					
Amount (£'000)	(2,801)	(1,963)	7,519	(8,675)	(539)
Percentage of the present value of scheme liabilities	(3.9%)	(2.9%)	11.7%	(12.9%)	(1.6%)

Analysis of the movement in the scheme deficit during the year

	2012	2011
	£'000	£'000
Opening deficit in the scheme after taxation	(4,457)	(6,356)
Current service cost	(202)	(206)
Contributions	3,057	5,099
Other finance costs	(588)	(167)
Actuarial loss	(2,801)	(1,963)
Taxation – credit/(charge)	3	(864)
Closing deficit in the scheme after taxation	(4,988)	(4,457)

The company expects to pay contributions of £3,000,000 to the plan during the next accounting period

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses since the adoption of FRS 17 is £8,862,000 (2011 £6,061,000)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 December 2012

19 PENSION SCHEME (CONTINUED)

Movements in the fair value of scheme assets were as follows

	2012	2011
	£'000	£'000
At 1 January	62,064	55,293
Expected return on plan assets	2,592	3,177
Actuarial gains on assets	1,987	2,690
Contributions paid by the employer	3,057	5,099
Benefits paid	(3,748)	(4,195)
	<u>65,952</u>	<u>62,064</u>
At 31 December	<u>65,952</u>	<u>62,064</u>

Movements in the present value of defined benefit obligations were as follows

	2012	2011
	£'000	£'000
At 1 January	68,008	64,000
Current service cost	202	206
Interest cost	3,180	3,344
Actuarial loss on obligation	4,788	4,653
Benefits paid	(3,748)	(4,195)
	<u>72,430</u>	<u>68,008</u>
At 31 December	<u>72,430</u>	<u>68,008</u>

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	Increase/decrease by 1%	Decrease/increase by £8.7m
Rate of mortality	Increase by 1 year	Increase by 3%

20. OPERATING LEASE COMMITMENTS

At 31 December the group was committed to making the following payments during the following year in respect of non-cancellable operating leases

	Land and buildings	Other	Land and buildings	Other
	2012	2012	2011	2011
	£000	£000	£000	£000
Lease which expire				
Within one year	371	952	715	678
Within two to five years	1,796	1,862	1,900	1,217
After five years	237	-	866	-
	<u>2,404</u>	<u>2,814</u>	<u>3,481</u>	<u>1,895</u>

The company has no operating lease commitments

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 December 2012

21. CONTINGENT LIABILITIES AND CAPITAL EXPENDITURE

At 31 December 2012, the company had contingent liabilities in respect of normal trading guarantees given to its bankers amounting to £2,902,000 (2011 £3,900,000). The group and company had no capital expenditure commitments approved but not contracted for as at 31 December 2012 (2011 nil).

22. TRADING TRANSACTIONS

During the year, Group companies entered into transactions with related parties which are not members of the Group. Amounts owed at the year end and transactions during the year are as follows:

Amounts owed by / (to) related parties	2012 £'000	2011 £'000
Montgomery Watson Gulf Consult	44	60
MWH Khonji	36	-
Total	<u>80</u>	<u>60</u>

	2012 £'000	2011 £'000
Included within amounts owed by joint ventures	112	98
Included within amounts owed to joint ventures	(32)	(38)
Total	<u>80</u>	<u>60</u>

23. ULTIMATE PARENT UNDERTAKING

The company's ultimate parent, controlling undertaking and the largest and smallest group company in which its results are consolidated is MWH Global Inc., a company incorporated in the United States of America.

The immediate parent undertaking is MWH Holding BV, a company incorporated in the Netherlands.

The financial statements of MWH Holding BV and MWH Global Inc. are available to the public from Forum Administrators BV, Weena 336, 3012 NJ, Rotterdam, The Netherlands.