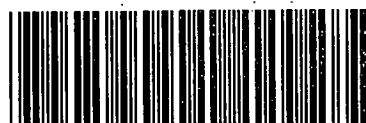


MWH EUROPE LIMITED

**Annual Report and Financial
Statements**

**For the 53 week period ended 3
January 2014**

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MWH EUROPE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS 2013

CONTENTS	Page
Officers and professional advisers	1
Strategic report	2
Directors' report	7
Directors' responsibilities statement	8
Independent auditor's report	9
Consolidated profit and loss account	11
Consolidated statement of total recognised gains and losses	11
Consolidated balance sheet	12
Company balance sheet	13
Notes to the financial statements	14

MWH EUROPE LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

W Drossaert
J Abraham
G Sanderson (resigned 3 September 2014)
J Kuiken
C Schefer (appointed 4 September 2014)

COMPANY SECRETARIES

V Hall-Sturt
S Moist
GP Maloney

REGISTERED OFFICE

Terriers House
201 Amersham Road
High Wycombe
Buckinghamshire
HP13 5AJ

BANKERS

Bank of America NA
2 King Edward Street
London
EC1A 1HQ

Barclays Bank plc
PO Box 41
High Wycombe
HP11 2BQ

AUDITOR

Deloitte LLP
Chartered Accountants and Statutory Auditor
St Albans
United Kingdom

STRATEGIC REPORT

The directors, in preparing this strategic report, have complied with S414C of the Companies Act 2006.

BUSINESS REVIEW AND FUTURE DEVELOPMENTS**Activities**

MWH Europe Limited is part of a global, strategic consulting, technical engineering and construction management firm focused on wet infrastructure. MWH Europe Limited 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. The group has branches in Dubai, Abu Dhabi and Qatar.

Financial review

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

	2013	2012	2011	2010
	£000s	£000s	£000s	£000s
Gross revenues (excluding joint ventures)	148,351	158,242	153,064	144,376
Gross profit	51,648	54,784	52,714	60,255
Operating profit	3,486	7,808	5,870	8,844
Operating profit margin	2.3%	4.9%	3.8%	6.1%

Gross revenues for the 53 week period to 3 January 2014 decreased for the group by 6.3% from 2012. Revenues decreased for MWH UK, which is the most significant subsidiary in the group. The group is part of numerous water client Asset Management Plan ("AMP") frameworks in the United Kingdom which cover 5 year cycles and the decreased revenue is in line with the Directors' expectations at this stage of the current AMP cycle. Revenues for the rest of the group also decreased in line with expectation.

The operating profit for the 53 week period was £3,486,000. This profit has decreased compared to 2012 due to increased costs incurred for positioning the group for the next AMP cycle as well as losses incurred by the Netherlands business.

The profit for the 53 week period of £1,856,000 (2012: £6,199,000) has been transferred to reserves.

The group's freehold property in High Wycombe was sold on 10 June 2013. The resulting loss on sale of £370,000 has been recognised in the accounts in the period.

The financial position of the group is set out on page 12. The cash balance has increased from £9,750,000 to £10,158,000 as a result of the cash generated from operations.

STRATEGIC REPORT (CONTINUED)

Market conditions and trends

Water Sector

The group benefits within the UK from being a member of some significant AMP5 frameworks with water companies such as Southern Water, Yorkshire Water, Thames Water & United Utilities, where work is allocated without the need for repeat competitive bidding. As this accounts for a significant proportion of the group's revenue in 2013 and forecasts for 2014, the group is well placed to face the risk posed elsewhere in the business where repeat competitive bidding is necessary.

Market conditions in the period ending 3 January 2014 saw many of the group's competitors bidding for work at significantly reduced margins in an effort to secure revenue. The group continues to avoid this strategy and instead attempts to offer tailor made solutions to secure new work rather than placing a simple reliance on lowest cost. This strategy has resulted in the successful awards of AMP6 frameworks including Thames Water and Yorkshire Water, securing work for 2015 and beyond. It is anticipated that further framework wins will be secured as we approach the new regulatory cycle.

The group is further investing in diversification and the development of non water sector clients. There are a number of sectors where expertise and skills are directly transferable.

Energy Sector

There is significant increased investment required to meet current and future energy demands and increase energy security. 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.

Overseas

The MWH Europe group has overseas subsidiaries, as outlined in note 9 of the financial statements. The main three subsidiaries are MWH Spa, MWH BV and MWH SA.

MWH Spa, Italy are ranked among the largest ten Italian Engineering Companies and as they now employ 140 people they will remain one of the largest in Italy. Italy has a diverse portfolio of clients which enables them to balance the risk of facing financial crisis in one particular sector or relating to one specific client. This has been proven by the fact that during the economic downturn they have managed to continue to achieve good performance and increase their gross revenue for engineering and consultancy services by 29.5% in the last 5 years. Management intend to stay focused on energy and industry opportunities to increase marketing effectiveness, as these are the two most promising sectors in Italy at present. The Italian government expects some stability in the near future and they are hopeful that this more stable environment could result in new initiatives arising in Q4 2014 and 2015.

MWH BV, based in the Netherlands is an Environmental consultancy business employing 120 people. The company has a diverse portfolio of clients and services with a primary focus on Soil, Compliance, Waste and Resources and Asset Management Services. Whilst the economic downturn has had a negative impact on the performance of the business, largely impacting volumes, it is anticipated that the Dutch economy will continue to improve into 2015, resulting in increased opportunities and growth for the Dutch consultancy business.

STRATEGIC REPORT (CONTINUED)

Overseas (continued)

MWH SA (the MWH Belgium operation) specialises in providing international development consulting services mainly to prestigious institutions, such as the European Commission, the European Investment Bank, the European Bank for Reconstruction and Development, the World Bank, the United Nations and the Millennium Challenge Corporation. Services include program management, project management, management consulting and strategic consulting in projects within the Energy, Water and Climate Change sectors.

Market conditions in Belgium in the period ended 3 January 2014 saw intense market competition and high pressure on prices, resulting in the bidding for work at significantly reduced margins in order to secure revenue. Despite this the overall outlook for the Belgian market remains positive, with the sector protected from recession and Government budgets already secured for the next 7 years for development aid and future accession. This has resulted in a healthy pipeline of potential business for MWH Belgium, already seeing gains as a result of this with a large proportion of 2015 revenue already secured through existing projects and recent bidding success. This leaves the MWH Belgium business optimistic about the future as we approach 2015.

MWH ResourceNet (India) Pvt Limited (based in India) provides support to the MWH Europe Limited Group as well as to other subsidiaries within the MWH Global Inc. group.

Joint ventures

The group has three 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 and Optimise (a JV between Clancy Docwra, Drilton Ltd, Barhale and MWH UK Ltd) delivering work for Thames Water.

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).

Regulatory environment

The water sector market regulation, by OFWAT, remains stable. The situation is similar for the regulated energy market.

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

The group continues to invest in research and development as the directors regard this investment as important for the success of the business. The Directors expect to continue to grow the business mainly through targeted organic growth in 2014.

PRINCIPLE RISK MANAGEMENT OBJECTIVES AND POLICIES

The directors expect the principal risks and uncertainties within the group to be:

- 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.

STRATEGIC REPORT (CONTINUED)

- 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, 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.

Going concern

The Directors consider it appropriate to adopt the going concern basis in preparing the 2013 financial statements for the following reasons:

- The group has traded profitably during 2013;
- 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 14 of the financial statements.

STRATEGIC REPORT (CONTINUED)

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 group as a whole.

Regular meetings are held with employee representatives to discuss the group'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 group through the global employee share and bonus schemes.

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 group continues and the appropriate training is arranged. It is the policy of the group 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 decrease during the period to ensure we are correctly positioned to enable the group to meet the demands of current workloads.

Corporate social responsibility

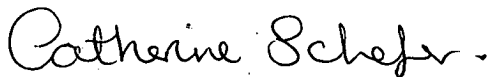
MWH Europe has a long track record of corporate responsibility that can be tracked back 160 years to the pioneering of large schemes that brought a continuous supply of water to homes in England, thereby preventing illness because of the lack of a clean water supply and effective sanitation. Sixteen 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.

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



C Schefer
Director

29 September 2014

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the 53 week period ended 3 January 2014.

DIVIDENDS AND TRANSFERS FROM RESERVES

No dividends were proposed or paid in the period (year ended 2012: £5,000,000).

DIRECTORS

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

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 s418 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.



C Schefer
Director

29 September 2014

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 subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping 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 53 week period ended 3 January 2014 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 3 January 2014 and of the group's profit for the 53 week period 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 Strategic Report and Directors' Report for the financial period 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 (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
St Albans, United Kingdom
30 September 2014

CONSOLIDATED PROFIT & LOSS ACCOUNT
53 week period ended 3 January 2014

	Note	53 week period ended 3 January 2013 £'000	Year ended 31 December 2012 £'000
Turnover: Group and Share of Joint Ventures		150,306	159,742
Less: Share of Joint Ventures		(1,955)	(1,500)
GROUP TURNOVER	2	148,351	158,242
Cost of sales		(96,703)	(103,458)
GROSS PROFIT		51,648	54,784
Administrative expenses		(48,162)	(46,976)
GROUP OPERATING PROFIT		3,486	7,808
Share of operating profit in joint ventures		92	90
OPERATING PROFIT	3	3,578	7,898
Loss on sale of tangible fixed assets	8	(370)	-
Interest receivable and similar income	5	756	565
Interest payable and similar charges	5	(321)	(354)
Other finance costs	19	(146)	(588)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		3,497	7,521
Tax charge on profit on ordinary activities	6	(1,641)	(1,322)
PROFIT FOR THE FINANCIAL PERIOD / YEAR	15, 18	1,856	6,199

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

The notes on pages 14 to 35 form part of these financial statements.

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
53 week period ended 31 December 2013

	Note	53 week period ended 3 January 2013 £'000	Year ended 31 December 2012 £'000
Profit for the financial period / year	15	1,856	6,199
Loss on retranslation of foreign subsidiaries	15	(1,169)	(570)
Actuarial loss on the defined benefit pension scheme	19	(1,497)	(2,801)
Deferred taxation attributable to the actuarial loss	13	34	644
Total recognised gains and losses for the financial period / year		(776)	3,472

The notes on pages 14 to 35 form part of these financial statements.

MWH EUROPE LIMITED

CONSOLIDATED BALANCE SHEET
As at 3 January 2014

	Note	3 January 2014 £'000	3 January 2014 £'000	31 December 2012 £'000	31 December 2012 £'000
FIXED ASSETS					
Intangible assets – Goodwill	7		325		716
Tangible assets	8		3,343		7,558
Investments in joint ventures:					
Share of assets		1,283		1,242	
Share of liabilities		(490)		(438)	
	9		793		804
			4,461		9,078
CURRENT ASSETS					
Debtors: amounts falling due within one year	10		62,928		59,613
Cash at bank and in hand			10,158		9,750
			73,086		69,363
CREDITORS: amounts falling due within one year	11		(38,673)		(38,090)
NET CURRENT ASSETS			34,413		31,273
TOTAL ASSETS LESS CURRENT LIABILITIES			38,874		40,351
CREDITORS: amounts falling due after more than one year	12		(515)		(549)
NET ASSETS excluding pensions liability			38,359		39,802
Pension liability	19		(4,321)		(4,988)
NET ASSETS including pensions liability			34,038		34,814
CAPITAL AND RESERVES					
Called-up share capital	14		10,000		10,000
Profit and loss account	15		24,038		23,163
Revaluation reserve	16		-		1,651
SHAREHOLDER'S FUNDS	18		34,038		34,814

The notes on pages 14 to 35 form part of these financial statements.

These financial statements of MWH Europe Limited, (registered number 02438136) were approved by the Board of Directors on 29 September 2014 and authorised for issue.

Signed on behalf of the Board of Directors

Catherine Schefer

C Schefer
Director

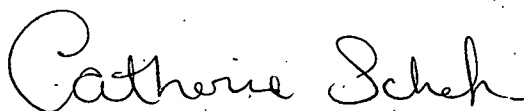
COMPANY BALANCE SHEET
As at 3 January 2014

	Note	3 January 2014 £'000	31 December 2012 £'000
FIXED ASSETS			
Investments	9	14,349	16,439
Tangible assets	8	7	14
		<u>14,356</u>	<u>16,453</u>
CURRENT ASSETS			
Debtors: amounts falling due within one year	10	16,033	15,654
Cash at bank and in hand		366	2,770
		<u>16,399</u>	<u>18,424</u>
CREDITORS: amounts falling due within one year	11	<u>(21,068)</u>	<u>(23,708)</u>
NET CURRENT LIABILITIES		<u>(4,669)</u>	<u>(5,284)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		9,687	11,169
CREDITORS: amounts falling due after more than one year	12	<u>(480)</u>	<u>(467)</u>
NET ASSETS		<u>9,207</u>	<u>10,702</u>
CAPITAL AND RESERVES			
Called-up share capital	14	10,000	10,000
Profit and loss account	15	(793)	702
SHAREHOLDER'S FUNDS		<u>9,207</u>	<u>10,702</u>

The notes on pages 14 to 35 form part of these financial statements.

The financial statements of MWH Europe Limited, (registered number 02438136) were approved by the Board of Directors on **29** September 2014 and authorised for issue.

Signed on behalf of the Board of Directors



C Schefer
Director

NOTES TO THE FINANCIAL STATEMENTS

53 week period ended 3 January 2014

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 current period and the preceding year. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention. In the current year, the financial statements are made up to the Friday nearest to the year end. Since this is within seven days of 31 December each year, the requirements of the Companies Act with regard to the dating of the financial statements is met. Comparative data is for the year ended 31 December 2012.

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 financial statements of the Company and all of its subsidiary undertakings. The financial statements of all subsidiaries are prepared to 3 January 2014. 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 period, 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 period 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)

53 week period ended 3 January 2014

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

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)

53 week period ended 3 January 2014

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.

Research and development

Research and development expenditure is charged to the profit and loss account as incurred.

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 period. Differences between contributions payable in the period 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

53 week period ended 3 January 2014

2. GROUP TURNOVER

All turnover for the 53 week period ended 3 January 2014 and the year ended 31 December 2012 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.

	53 week period ending 3 January 2014 £'000	Year ended 31 December 2012 £'000
United Kingdom	76,630	83,898
Rest of Europe	43,125	47,943
Rest of the world	28,596	26,401
	<u>148,351</u>	<u>158,242</u>

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

3. OPERATING PROFIT

	53 week period ending 3 January 2014 £'000	Year ended 31 December 2012 £'000
Operating profit for the year is stated after charging/(crediting):		
Amortisation of intangibles	380	381
Depreciation		
Owned assets	1,902	1,749
Lease assets	46	41
Operating lease charges		
Plant and equipment	770	1,254
Other	3,361	3,586
Redundancy costs	-	787
Foreign exchange loss/(gain)	457	(833)
	<u>457</u>	<u>(833)</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

53 week period ended 3 January 2014

3. OPERATING PROFIT (CONTINUED)

The analysis of auditor's remuneration is as follows:

	53 week period ending 3 January 2014 £'000	Year ended 31 December 2012 £'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	35	34
- 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	196	167
Total audit fees	<u>231</u>	<u>201</u>
Tax services	174	180
Total tax services	<u>174</u>	<u>180</u>
Total fees	<u><u>405</u></u>	<u><u>381</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 loss of the parent company for the financial period was £1,495,000 (2012 profit: £964,000).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

53 week period ended 3 January 2014

4. STAFF COSTS AND ANALYSIS

	53 week period ending 3 January 2014 £'000	Year ended 31 December 2012 £'000
Directors' remuneration		
Aggregate emoluments	516	585
Pension contributions	33	67
	<u>549</u>	<u>652</u>
Emoluments of the highest paid Director	<u>331</u>	<u>251</u>

The highest paid Director's pension contributions in the year amounted to £15,246 (2012: £12,059). They are not a member of the defined benefit pension scheme and therefore have no accrued entitlements (2012: £nil). There is no accrued lump sum (2012: £nil).

	53 week period ending 3 January 2014 No.	Year ended 31 December 2012 No.
Number of Directors who are members of the defined benefit pension scheme	<u>1</u>	<u>3</u>

	53 week period ending 3 January 2014 £'000	Year ended 31 December 2012 £'000
All employees (including Directors)		
Wages and salaries	50,819	51,906
Social security costs	6,843	6,760
Other pension costs	5,984	8,354
	<u>63,646</u>	<u>67,020</u>

	53 week period ending 3 January 2014 No.	Year ended 31 December 2012 No.
Average number of persons employed (including Directors)		
Engineering	1,597	1,573
Marketing	17	25
Administration	163	277
	<u>1,777</u>	<u>1,875</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
53 week period ended 3 January 2014

5. INTEREST

	53 week period ended 3 January 2014 £'000	Year ended 31 December 2012 £'000
Interest receivable and similar income		
Bank interest	141	72
Interest received from tax authorities	159	24
Interest receivable from group undertakings	456	469
	<u>756</u>	<u>565</u>
Interest payable and similar charges		
Interest payable on bank loans and overdrafts	73	84
Finance charges payable under finance leases and hire purchase contracts	11	9
Interest paid to tax authorities	-	42
Interest payable to group undertakings	237	219
	<u>321</u>	<u>354</u>

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge comprises:	53 week period ended 3 January 2014 £'000	Year ended 31 December 2012 £'000
Current tax		
United Kingdom corporation tax at 23.25% (2012: 24.50%) based on the profit for the period	489	1,160
Overseas taxation	858	325
Adjustments in respect of prior years	664	(995)
Total current tax charge	<u>2,011</u>	<u>490</u>
Deferred tax		
Timing differences, origination and reversal	(387)	83
Changes in deferred tax on pension liability	515	521
Effect of change in tax rate – non pension	101	47
Effect of change in tax rate – pension	(72)	120
Prior year adjustment	(527)	61
Total deferred tax (credit)/charge	<u>(370)</u>	<u>832</u>
Tax charge on profit on ordinary activities	<u>1,641</u>	<u>1,322</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

53 week period ended 3 January 2014

6. TAX ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

FACTORS AFFECTING THE CURRENT TAX CHARGE FOR THE YEAR

The tax assessed for the year is higher (2012: lower) than that resulting from applying the standard rate of corporation tax in the UK: 23.25% (2012: 24.50%).

The differences are explained below:

	53 week period ended 3 January 2014 £'000	Year ended 31 December 2012 £'000
Profit on ordinary activities before tax	3,497	7,521
Tax at 23.25% (2012: 24.50%) thereon	813	1,843
Effects of:		
Expenses not deductible for tax purposes	326	63
R&D Tax Credit	(330)	(207)
Depreciation in excess of capital allowances	222	59
Tax losses carried forward	460	49
Movement in short term timing differences	(567)	(647)
Differences in overseas tax rates and basis	423	325
Adjustments in respect of prior years	664	(995)
Current tax charge for year	2,011	490

Factors affecting tax charge in future periods

Finance Act 2013, which was substantively enacted in July 2013, included provisions to reduce the rate of corporation tax to 21% with effect from 1 April 2014 and 20% from 1 April 2015. Deferred tax balances have been revalued to the lower rate of 20% in these accounts. To the extent that the deferred tax reverses before 1 April 2015 then the impact on the net deferred tax asset will be reduced.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
53 week period ended 3 January 2014

7. INTANGIBLE FIXED ASSETS

Group	Goodwill
	£'000
Cost	
At 1 January 2013	3,110
Exchange differences	(12)
At 3 January 2014	3,098
Amortisation	
At 1 January 2013	2,394
Amortisation	380
Exchange differences	(1)
At 3 January 2014	2,773
Net book value	
At 3 January 2014	325
At 31 December 2012	716

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 2013	3,306	13,672	99	17,077
Exchange differences	(24)	(279)	-	(303)
Additions	-	1,028	7	1,035
Disposals	(3,137)	(1,852)	(2)	(4,991)
At 3 January 2014	145	12,569	104	12,818
Depreciation				
At 1 January 2013	123	9,318	78	9,519
Exchange differences	(14)	(97)	-	(111)
Charge for the year	5	1,932	11	1,948
Disposals	(28)	(1,852)	(1)	(1,881)
At 3 January 2014	86	9,301	88	9,475
Net book value				
At 3 January 2014	59	3,268	16	3,343
At 31 December 2012	3,183	4,354	21	7,558

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
53 week period ended 3 January 2014

8. TANGIBLE FIXED ASSETS (CONTINUED)

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

	3 January 2014 £'000	31 December 2012 £'000
Cost	1,111	1,111
Depreciation	(1,024)	(978)
Net book value	<u>87</u>	<u>133</u>

The group's freehold property in High Wycombe was sold on 10 June 2013. The resulting loss on sale of £370,000 has been recognised in the accounts in the period.

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

	Valuation £'000	Cost £'000
31 December 2012		
Land	1,870	1,372
Building	1,346	799
Accumulated depreciation	(106)	(741)
	<u>3,110</u>	<u>1,430</u>

Company	Plant and equipment £'000
Cost	
At 1 January 2013 and 3 January 2014	<u>161</u>
Depreciation	
At 1 January 2013	147
Charge in year	7
At 3 January 2014	<u>154</u>
Net book value	
At 3 January 2014	<u>7</u>
At 31 December 2012	<u>14</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

53 week period ended 3 January 2014

9. INVESTMENTS

	3 January 2014 £'000	31 December 2012 £'000
Group		
Joint ventures		
Share of assets	1,283	1,242
Share of liabilities	(490)	(438)
	<u>793</u>	<u>804</u>
Investments at 1 January	804	894
Exchange gain	(11)	(34)
Distributions	(21)	(93)
Movement in equity account due to trading	(71)	(53)
Share of joint venture profit	92	90
	<u>793</u>	<u>804</u>
Investments at 3 January / 31 December		

	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
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 these companies for the 53 week period ending 3 January 2014.

	3 January 2014 £'000	31 December 2012 £'000
Company		
Investments at 1 January	16,439	15,699
Capital injection into MWH SA	-	811
Capital injection into MWH India	1,111	646
Impairment of MWH India	(1,246)	(717)
Capital injection into MWH BV	884	-
Impairment of MWH BV	(2,829)	-
Capital reduction in MWH Project Management	(10)	-
	<u>14,349</u>	<u>16,439</u>
Investments at 3 January / 31 December		

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
53 week period ended 3 January 2014

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%
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	
	31	31	31	31
	January	December	January	December
	2014	2012	2014	2012
	£'000	£'000	£'000	£'000
Trade debtors	-	1	17,401	19,031
Amounts recoverable on contracts	-	-	20,420	16,512
Amounts owed by group undertakings	14,230	13,763	14,750	15,229
Amounts owed by undertakings in which the company has a participating interest	-	-	421	112
Corporation tax	-	-	2,282	1,918
Deferred taxation (see note 13)	111	126	1,352	594
Other debtors	1,692	1,764	2,840	2,640
Prepayments and accrued income	-	-	3,462	3,577
	<u>16,033</u>	<u>15,654</u>	<u>62,928</u>	<u>59,613</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
53 week period ended 3 January 2014

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Company		Group	
	3	31	3	31
	January	December	January	December
	2014	2012	2014	2012
	£'000	£'000	£'000	£'000
Trade creditors	-	-	5,098	6,303
Bank loans and overdrafts	-	-	43	-
Amounts owed to group undertakings	20,892	23,424	8,623	5,653
Amounts owed to undertakings in which the company has a participating interest	-	-	45	32
Obligations under finance lease	-	-	61	61
Other taxes and social security	76	154	4,179	3,774
Other creditors	37	39	2,549	1,819
Accruals and deferred income	63	91	18,075	20,448
	<u>21,068</u>	<u>23,708</u>	<u>38,673</u>	<u>38,090</u>

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

	Company		Group	
	3	31	3	31
	January	December	January	December
	2014	2012	2014	2012
	£'000	£'000	£'000	£'000
Annuity	480	467	480	467
Obligations under finance lease	-	-	35	82
	<u>480</u>	<u>467</u>	<u>515</u>	<u>549</u>

Obligations under finance leases and hire purchase contracts:

	3	31
	January	December
	2014	2012
	£'000	£'000
Minimum lease payments payable:		
Within one year	61	61
Between one and five years	35	82
	<u>96</u>	<u>143</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

53 week period ended 3 January 2014

13. DEFERRED TAXATION

As at 3 January 2014 and 31 December 2012 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 BV subsidiaries.

The recoverability of these losses depends on there being sufficient taxable profits within these entities. 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	£1,363,000	(2012: £1,293,000)
MWH BV	£682,000	(2012: £518,000)

MOVEMENT ON DEFERRED TAXATION ASSET BALANCE IN THE YEAR

	Company		Group	
	3 January 2014 £'000	31 December 2012 £'000	3 January 2014 £'000	31 December 2012 £'000
Opening balance	126	122	594	785
Credited/(charged) to profit and loss account	2	13	914	(144)
Effect of foreign exchange	-	-	(55)	-
Effect of change in corporation tax rate	(17)	(9)	(101)	(47)
Closing asset balance (note 10)	111	126	1,352	594

ANALYSIS OF PROVIDED DEFERRED TAXATION BALANCE

	Company		Group	
	3 January 2014 £'000	31 December 2012 £'000	3 January 2013 £'000	31 December 2012 £'000
Capital allowances in excess of depreciation	7	9	615	309
Short term timing differences	104	117	737	285
Deferred tax asset (note 10)	111	126	1,352	594

Movement on deferred taxation recognised on the pension liability:

	3 January 2013 £'000	31 December 2012 £'000
At 1 January	1,490	1,487
Change in tax rate	72	(120)
Charged to the profit and loss account	(515)	(521)
Credited to the statement of total recognised gains and losses	34	644
At 3 January / 31 December (note 19)	1,081	1,490

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
53 week period ended 3 January 2014

14. CALLED-UP SHARE CAPITAL

Group and Company	3 January 2014 £'000	31 December 2012 £'000
Called-up, allotted and fully paid		
10,000,000 ordinary shares of £1 each	10,000	10,000

15. PROFIT AND LOSS ACCOUNT

	Company		Group	
	3 January 2014 £'000	31 December 2012 £'000	3 January 2014 £'000	31 December 2012 £'000
At 1 January	702	4,738	23,163	24,662
Exchange movement	-	-	(1,169)	(570)
Actuarial loss on the defined benefit pension scheme	-	-	(1,497)	(2,801)
Tax on actuarial loss on the defined benefit pension scheme	-	-	34	644
Dividends paid on equity shares (note 17)	-	(5,000)	-	(5,000)
Transfer from revaluation reserve (note 16)	-	-	1,651	29
(Loss)/Profit for the financial year	(1,495)	964	1,856	6,199
At 3 January / 31 December	(793)	702	24,038	23,163
Retained profit excluding pension liability	(793)	702	28,359	28,151
Pensions liability (note 19)	-	-	(4,321)	(4,988)
Retained profit	(793)	702	24,038	23,163

16. REVALUATION RESERVE

Group

	3 January 2014 £'000	31 December 2012 £'000
At 1 January	1,651	1,680
Transfer to P&L reserve (note 15)	(1,651)	(29)
At 3 January / 31 December	-	1,651

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

53 week period ended 3 January 2014

17. DIVIDENDS ON EQUITY SHARES

Amounts recognised as distributions to equity holders in the year:

	3 January 2014 £'000	31 December 2012 £'000
Final dividend proposed and paid (2012: 50p per ordinary share)	-	5,000

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

Group	3 January 2014 £'000	31 December 2012 £'000
Shareholder's funds at 1 January	34,814	36,342
Profit for the financial year	1,856	6,199
Actuarial loss on the defined benefit pension scheme	(1,497)	(2,801)
Tax on actuarial loss on the defined benefit pension scheme	34	644
Exchange losses	(1,169)	(570)
Dividends paid on equity shares (note 17)	-	(5,000)
Shareholder's funds at 3 January / 31 December	34,038	34,814

19. PENSION SCHEME

The Group operates pension schemes as set out below:

(a) Defined Contribution Pension Plan

The assets of the UK defined contribution plan are held separately from those of the company in an independent fund by AEGON UK Limited. During the period, the company contributed £4,720,396 (2012: £5,087,110) to the UK defined contribution plan. There were no unpaid contributions to the Defined Contribution scheme at 3 January 2014 (31 December 2012: £nil). Various overseas companies also pay contributions on behalf of employees. For the period to 3 January 2014 these amounted to £1,064,449 (2012: £885,905).

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

53 week period ended 3 January 2014

19. PENSION SCHEME (CONTINUED)

A group contribution of approximately £3,000,000 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 £3,000,000 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.

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:

	2013	2012	2011	2010
Discount rate at the end of the period	4.40%	4.10%	4.80%	5.40%
Expected return on the plan assets	5.20%	4.20%	4.20%	5.70%
Rate of increase in salaries	n/a	n/a	n/a	2.60%
Rate of future inflation	3.25%	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%	3.50%	2.60%
Inflation linked up to 2.5% pa	n/a	n/a	n/a	n/a
Mortality table pre retirement	None	None	None	A92
Mortality table post retirement, split:				
Members not yet retired	PA92 C2020	PA92 C2020	PA92 C2020	PA92 C2020
Current pensioners	PA92 C2020	PA92 C2020	PA92 C2020	PA92 C2020
Allowance for early retirements	No	No	No	No
Allowance for members to commute pension for tax free cash	Yes	Yes	Yes	Yes

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
53 week period ended 3 January 2014

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:

	2013 Value of assets £'000	2012 Value of assets £'000	2011 Value of assets £'000	2010 Value of assets £'000	2009 Value of assets £'000
Group pension contract	66,963	65,952	62,064	55,293	48,915
Total fair value of assets	66,963	65,952	62,064	55,293	48,915
Present value of liabilities	(72,365)	(72,430)	(68,008)	(64,000)	(67,136)
Deficit in the plan	(5,402)	(6,478)	(5,944)	(8,707)	(18,221)
Deferred taxation	1,081	1,490	1,487	2,351	5,102
Deficit after taxation	(4,321)	(4,988)	(4,457)	(6,356)	(13,119)

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:

	3 January 2014 £'000	31 December 2012 £'000
Current service cost	(200)	(202)
Total operating charge	(200)	(202)

Analysis of the amount charged to other finance costs:

	3 January 2014 £'000	31 December 2012 £'000
Expected return on scheme assets	2,720	2,592
Interest cost	(2,866)	(3,180)
Other finance costs	(146)	(588)

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)
53 week period ended 3 January 2014

19. PENSION SCHEME (CONTINUED)

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

	3 January 2014 £'000	31 December 2012 £'000
Actual return less expected return on assets	679	1,987
Experience gains and losses arising on the scheme liabilities	125	(810)
Effects of changes in assumptions underlying the present value of scheme liabilities	(2,301)	(3,978)
	<u>(2,301)</u>	<u>(3,978)</u>
Actuarial loss recognised in the statement of total recognised gains and losses	<u>(1,497)</u>	<u>(2,801)</u>

The actual return on the plan assets during the period was £3,399,000 (year ended 2012: £4,579,000).

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

	Expected rate of return 2013 %	Value 2013 £'000	Expected rate of return 2012 %	Value 2012 £'000
Equities and property	6.35	41,785	5.50	37,592
Corporate bonds	3.35	19,151	2.50	25,062
Cash	3.35	6,027	2.50	3,298
	<u>5.20</u>	<u>66,963</u>	<u>4.20</u>	<u>65,952</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

53 week period ended 3 January 2014

19. PENSION SCHEME (CONTINUED)

History of experience gains and losses:

	2013	2012	2011	2010	2009
	£'000	£'000	£'000	£'000	£'000
Difference between the expected and actual return on scheme assets:					
Amount (£'000)	679	1,987	2,689	5,151	(438)
Percentage of scheme assets	1.0%	3.0%	4.3%	9.3%	(0.9%)
Experience gains and losses on scheme liabilities:					
Amount (£'000)	125	(810)	310	(193)	491
Percentage of the present value of scheme liabilities	0.2%	(1.1%)	0.4%	(0.3%)	0.7%
Total actuarial gain/(loss) in the statement of total recognised gains and losses:					
Amount (£'000)	(1,497)	(2,801)	(1,963)	7,519	(8,675)
Percentage of the present value of scheme liabilities	(2.1%)	(3.9%)	(2.9%)	11.7%	(12.9%)

Analysis of the movement in the scheme deficit during the year:

	3	31
	January	December
	2014	2012
	£'000	£'000
Opening deficit in the scheme after taxation	(4,988)	(4,457)
Current service cost	(200)	(202)
Contributions	2,919	3,057
Other finance costs	(146)	(588)
Actuarial loss	(1,497)	(2,801)
Taxation - (credit)/charge	(409)	3
Closing deficit in the scheme after taxation	(4,321)	(4,988)

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 £10,359,000 (2012: £8,862,000).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
53 week period ended 3 January 2014

19. PENSION SCHEME (CONTINUED)

Movements in the fair value of scheme assets were as follows:

	3 January 2014 £'000	31 December 2012 £'000
At 1 January	65,952	62,064
Expected return on plan assets	2,720	2,592
Actuarial gains on assets	679	1,987
Contributions paid by the employer	2,919	3,057
Benefits paid	(5,307)	(3,748)
At 3 January / 31 December	<u>66,963</u>	<u>65,952</u>

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

	3 January 2014 £'000	31 December 2012 £'000
At 1 January	72,430	68,008
Current service cost	200	202
Interest cost	2,866	3,180
Actuarial loss on obligation	2,176	4,788
Benefits paid	(5,307)	(3,748)
At 3 January / 31 December	<u>72,365</u>	<u>72,430</u>

20. OPERATING LEASE COMMITMENTS

At 3 January 2014 the group was committed to making the following payments during the following year in respect of non-cancellable operating leases:

	Land and buildings 3 January 2014 £000	Other 3 January 2014 £000	Land and buildings 31 December 2012 £000	Other 31 December 2012 £000
Lease which expire:				
Within one year	919	955	371	952
Within two to five years	1,403	1,546	1,796	1,862
After five years	237	20	237	-
	<u>2,559</u>	<u>2,521</u>	<u>2,404</u>	<u>2,814</u>

The company has no operating lease commitments.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

53 week period ended 3 January 2014

21. CONTINGENT LIABILITIES AND CAPITAL EXPENDITURE

At 3 January 2014, the group had contingent liabilities in respect of normal trading guarantees given to its bankers amounting to £3,138,000 (2012: £2,902,000). The company and the group had no capital expenditure commitments as at 3 January 2014 (2012: £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:

	3 January 2014 £'000	31 December 2012 £'000
Montgomery Watson Gulf Consult	295	44
MWH Khonji	80	36
Total	375	80

	3 January 2014 £'000	31 December 2012 £'000
Included within amounts owed by joint ventures	421	112
Included within amounts owed to joint ventures	(46)	(32)
Total	375	80

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.