

MWH EUROPE LIMITED

**Annual Report and Financial
Statements**

**For the 52 week period ended 2
January 2015**

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MWH EUROPE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS 2014

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MWH EUROPE LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

W Drossaert	(resigned 8 June 2015)
J Abraham	(resigned 17 February 2015)
G Sanderson	(resigned 3 September 2014)
J Kuiken	
C Schefer	(appointed 4 September 2014)
D Smith	(appointed 18 June 2015)

COMPANY SECRETARIES

V Hall-Sturt
S Moist
GP Maloney

REGISTERED OFFICE

Buckingham Court
Kingsmead Business Park
London Road
High Wycombe
Buckinghamshire
HP11 1JU

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 active branches in Dubai, Abu Dhabi and Qatar.

Financial review

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

	2014 £000s	2013 £000s	2012 £000s	2011 £000s
Gross revenues (excluding joint ventures)	142,850	148,351	158,242	153,064
Gross profit	47,000	51,648	54,784	52,714
Operating profit	6,260	3,486	7,808	5,870
Operating profit margin	4.4%	2.3%	4.9%	3.8%

Gross revenues for the 52 week period to 2 January 2015 decreased for the group by 3.7% from 2013. 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 52 week period was £6,260,000. This profit has increased compared to 2013 due to increased costs incurred in 2013 for positioning the group for the next AMP cycle.

The after – tax profit for the 52 week period of £3,885,000 (2013: £1,856,000) has been transferred to reserves.

The financial position of the group is set out on page 12. The cash balance has increased from £10,158,000 to £14,446,000 as a result of the cash generated from operations.

STRATEGIC REPORT (CONTINUED)

Market conditions and trends

Water Sector

The UK Water industry operates on five yearly asset management cycles, known as 'AMP's. The sixth AMP cycle began on 1 April 2015.

The group benefits within the UK from being a member of some significant AMP6 frameworks with water companies such as Southern Water, Yorkshire Water, Severn Trent & Thames Water where work is allocated without the need for repeat competitive bidding. As this accounts for a significant proportion of the company's revenue throughout the AMP6 period, the group is well placed to face the risk posed elsewhere in the business where repeat competitive bidding is necessary. Revenue opportunity is also expected to continue through 2015 on existing AMP5 frameworks as some AMP6 procurement processes are delayed and new projects are released on existing contracts.

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 is ranked among the largest ten Italian Engineering Companies and remains one of the largest firms in Italy. MWH Spa 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. Thanks to the efforts both in commercial and management areas, 2014 has been another positive year for the Company confirming the last 5 years trend. The KPIs show a growing trend over the performance of the previous exercise both in terms of gross and net productivity. Gross Revenue and Net Revenue have grown respectively by 30% and 14%. Due to the maintenance of strong business disciplines the Company was able to concentrate some investments in the marketing and development areas, which included new resources dedicated to expand the business both in the African Region and in commercially promising areas of the Italian territory. Even in 2015 it is expected that the Marketing and Business Development will continue to drive the company growth, also in new geographical areas, as mentioned above.

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 had a negative impact on the performance of the business until 2013, largely impacting volumes, the results in 2014 were in line with expectation. For 2015 it is anticipated that the Dutch economy will continue to improve, 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 2 January 2015 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.

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 two operating Joint Ventures in the UK: 4Delivery (a JV between Veolia, Costain and MWH UK Ltd) delivering work for Southern 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 2015.

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 2014 financial statements for the following reasons:

- The group has traded profitably during 2014;
- 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 employees 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

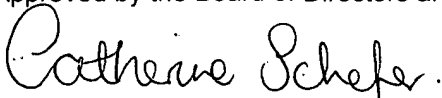
MWH Europe has a long track record of corporate responsibility that can be tracked back 160 years to the pioneering of large schemes that brought a continuous supply of water to homes in England, thereby preventing illness because of the lack of a clean water supply and effective sanitation. Sixteen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

19 August 2015

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the 52 week period ended 2 January 2015.

DIVIDENDS AND TRANSFERS FROM RESERVES

No dividends were proposed or paid in the current period or prior period.

DIRECTORS

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

STRATEGIC REPORT

Information relating to the business review of performance, future prospects and subsequent events of the entity can be found in the Strategic Report on pages 2 to 6 which are included in this report by reference.

AUDITOR

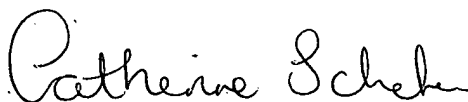
Each of the persons who is a Director at the date of approval of this report confirms that:

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
19 August 2015

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 period. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 52 week period ended 2 January 2015 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 22. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of Directors and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the 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 2 January 2015 and of the group's profit for the 52 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
19 August 2015

MWH EUROPE LIMITED

CONSOLIDATED PROFIT & LOSS ACCOUNT 52 week period ended 2 January 2015

	Note	52 week period ended 2 January 2015 £'000	53 week period ended 3 January 2014 £'000
Turnover: Group and Share of Joint Ventures		144,596	150,306
Less: Share of Joint Ventures		(1,746)	(1,955)
GROUP TURNOVER	2	142,850	148,351
Cost of sales		(95,850)	(96,703)
GROSS PROFIT		47,000	51,648
Administrative expenses		(40,740)	(48,162)
GROUP OPERATING PROFIT		6,260	3,486
Share of operating profit in joint ventures		74	92
OPERATING PROFIT	3	6,334	3,578
Loss on sale of tangible fixed assets		-	(370)
Interest receivable and similar income	5	565	756
Interest payable and similar charges	5	(264)	(321)
Other finance income / (costs)	18	350	(146)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		6,985	3,497
Tax charge on profit on ordinary activities	6	(3,100)	(1,641)
PROFIT FOR THE FINANCIAL PERIOD	15, 17	3,885	1,856

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

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES 52 week period ended 2 January 2015

	Note	52 week period ended 2 January 2015 £'000	53 week period ended 3 January 2014 £'000
Profit for the financial period	15	3,885	1,856
Gain / (Loss) on retranslation of foreign subsidiaries	15	137	(1,169)
Actuarial loss on the defined benefit pension scheme	18	(4,764)	(1,497)
Deferred taxation attributable to the actuarial loss	13	953	34
Total recognised gains and losses for the financial period		211	(776)

The notes on pages 14 to 36 form part of these financial statements.

MWH EUROPE LIMITED

CONSOLIDATED BALANCE SHEET As at 2 January 2015

	Note	2 January 2015 £'000	2 January 2015 £'000	3 January 2014 £'000	3 January 2014 £'000
FIXED ASSETS					
Intangible assets – Goodwill	7		-		325
Tangible assets	8		2,537		3,343
Investments in joint ventures:					
Share of assets		1,431		1,283	
Share of liabilities		(538)		(490)	
	9		893		793
			3,430		4,461
CURRENT ASSETS					
Debtors: amounts falling due within one year	10		68,105		62,928
Cash at bank and in hand			14,446		10,158
			82,551		73,086
CREDITORS: amounts falling due within one year	11		(44,315)		(38,673)
NET CURRENT ASSETS			38,236		34,413
TOTAL ASSETS LESS CURRENT LIABILITIES			41,666		38,874
CREDITORS: amounts falling due after more than one year	12		(1,729)		(515)
NET ASSETS excluding pensions liability			39,937		38,359
Pension liability	18		(5,688)		(4,321)
NET ASSETS including pensions liability			34,249		34,038
CAPITAL AND RESERVES					
Called-up share capital	14		10,000		10,000
Profit and loss account	15		24,249		24,038
Revaluation reserve	16		-		-
SHAREHOLDER'S FUNDS	17		34,249		34,038

The notes on pages 14 to 36 form part of these financial statements.

These financial statements of MWH Europe Limited, (registered number 02438136) were approved by the Board of Directors on 19 August 2015 and authorised for issue.

Signed on behalf of the Board of Directors


C Schefer
Director

MWH EUROPE LIMITED

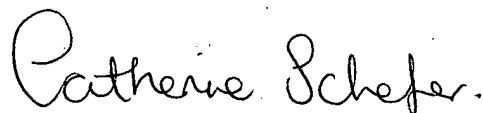
COMPANY BALANCE SHEET As at 2 January 2015

	Note	2 January 2015 £'000	3 January 2014 £'000
FIXED ASSETS			
Investments	9	13,908	14,349
Tangible assets	8	3	7
		<u>13,911</u>	<u>14,356</u>
CURRENT ASSETS			
Debtors: amounts falling due within one year	10	16,881	16,033
Cash at bank and in hand		1,502	366
		<u>18,383</u>	<u>16,399</u>
CREDITORS: amounts falling due within one year	11	<u>(22,545)</u>	<u>(21,068)</u>
NET CURRENT LIABILITIES		<u>(4,162)</u>	<u>(4,669)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		9,749	9,687
CREDITORS: amounts falling due after more than one year	12	<u>(1,722)</u>	<u>(480)</u>
NET ASSETS		<u>8,027</u>	<u>9,207</u>
CAPITAL AND RESERVES			
Called-up share capital	14	10,000	10,000
Profit and loss account	15	(1,973)	(793)
SHAREHOLDER'S FUNDS		<u>8,027</u>	<u>9,207</u>

The notes on pages 14 to 36 form part of these financial statements.

The financial statements of MWH Europe Limited, (registered number 02438136) were approved by the Board of Directors on 19 August 2015 and authorised for issue.

Signed on behalf of the Board of Directors



C Schefer
Director

NOTES TO THE FINANCIAL STATEMENTS
52 week period ended 2 January 2015

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 period. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention. In the current period, 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 period ended 3 January 2014.

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 2 January 2015. 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)
52 week period ended 2 January 2015

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)
52 week period ended 2 January 2015

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

The company incurs expenditure on which research and development credits are claimed for tax purposes. The expenditure is based on the internal staff costs associated with projects identified as involving genuine research and development. Due to the nature of the expenditure, all research and development costs relate to the year in which the claim is made.

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)
52 week period ended 2 January 2015

2. GROUP TURNOVER

All turnover for the 52 week period ended 2 January 2015 and the 53 week period ended 3 January 2014 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.

	52 week period ended 2 January 2015 £'000	53 week period ending 3 January 2014 £'000
United Kingdom	68,911	76,630
Rest of Europe	46,821	43,125
Rest of the world	27,118	28,596
	<u>142,850</u>	<u>148,351</u>

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

3. OPERATING PROFIT

	52 week period ended 2 January 2015 £'000	53 week period ending 3 January 2014 £'000
Operating profit for the period is stated after charging:		
Amortisation of intangibles	324	380
Depreciation		
Owned assets	1,630	1,902
Lease assets	53	46
Operating lease charges		
Plant and equipment	867	770
Other	2,996	3,361
Redundancy costs	150	-
Foreign exchange loss	408	457
	<u></u>	<u></u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
52 week period ended 2 January 2015

3. OPERATING PROFIT (CONTINUED)

The analysis of auditor's remuneration is as follows:

	52 week period ended 2 January 2015 £'000	53 week period ending 3 January 2014 £'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	36	35
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	191	196
Total audit fees	227	231
Taxation compliance services	71	174
Total tax services	71	174
Total fees	298	405

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 £1,179,966 (period ending 3 January 2014: loss £1,495,000).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
52 week period ended 2 January 2015

4. STAFF COSTS AND ANALYSIS

	52 week period ended 2 January 2015 £'000	53 week period ending 3 January 2014 £'000
Directors' remuneration		
Aggregate emoluments	507	516
Pension contributions	37	33
	<u>544</u>	<u>549</u>
 Emoluments of the highest paid Director	 <u>302</u>	 <u>331</u>

The highest paid Director's pension contributions in the period amounted to £15,542 (period ended 3 January 2014: £15,246). They are not a member of the defined benefit pension scheme and therefore have no accrued entitlements (period ended 3 January 2014: £nil). There is no accrued lump sum (period ended 3 January 2014: £nil).

	52 week period ended 2 January 2015 £'000 No.	53 week period ending 3 January 2014 £'000 No.
Number of Directors who are members of the defined benefit pension scheme	<u>2</u>	<u>1</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
52 week period ended 2 January 2015

4. STAFF COSTS AND ANALYSIS (CONTINUED)

	52 week period ended 2 January 2015 £'000	53 week period ended 3 January 2014 £'000
All employees (including Directors)		
Wages and salaries	51,052	50,819
Social security costs	6,399	6,843
Other pension costs	5,668	5,984
	<u>63,119</u>	<u>63,646</u>
	52 week period ended 2 January 2015 No.	53 week period ended 3 January 2014 No.
Average number of persons employed (including directors)		
Engineering	1,553	1,597
Marketing	17	17
Administration	153	163
	<u>1,723</u>	<u>1,777</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
52 week period ended 2 January 2015

5. INTEREST

	52 week period ended 2 January 2015 £'000	53 week period ended 3 January 2014 £'000
Interest receivable and similar income		
Bank interest	109	141
Interest received from tax authorities	47	159
Interest receivable from group undertakings	409	456
	<u>565</u>	<u>756</u>
Interest payable and similar charges		
Interest payable on bank loans and overdrafts	79	73
Finance charges payable under finance leases and hire purchase contracts	32	11
Interest payable to group undertakings	153	237
	<u>264</u>	<u>321</u>

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge comprises:

	52 week period ended 2 January 2015 £'000	53 week period ended 3 January 2014 £'000
Current tax		
United Kingdom corporation tax at 21.48% (period ended 3 January 2014: 23.25%) based on the profit for the period	891	489
Overseas taxation	1,142	858
Adjustments in respect of prior years	361	664
Total current tax charge	<u>2,394</u>	<u>2,011</u>
Deferred tax		
Timing differences, origination and reversal	96	(387)
Changes in deferred tax on pension liability	612	515
Effect of change in tax rate – non pension	-	101
Effect of change in tax rate – pension	-	(72)
Prior year adjustment	(2)	(527)
Total deferred tax charge / (credit)	<u>706</u>	<u>(370)</u>
Tax charge on profit on ordinary activities	<u>3,100</u>	<u>1,641</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
52 week period ended 2 January 2015

6. TAX ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

FACTORS AFFECTING THE CURRENT TAX CHARGE FOR THE PERIOD

The tax assessed for the period is higher (period ended 3 January 2014: higher) than that resulting from applying the standard rate of corporation tax in the UK: 21.48% (period ended 3 January 2014: 23.25%).

The differences are explained below:

	52 week period ended 2 January 2015 £'000	53 week period ended 3 January 2014 £'000
Profit on ordinary activities before tax	<u>6,985</u>	<u>3,497</u>
Tax at 21.48% (period ended 3 January 2014: 23.25%) thereon	1,500	813
Effects of:		
Expenses not deductible for tax purposes	(4)	326
R&D Tax Credit	-	(330)
Depreciation in excess of capital allowances	(14)	222
Tax losses carried forward	408	460
Movement in short term timing differences	(667)	(567)
Differences in overseas tax rates and basis	502	423
Adjustments in respect of prior years	361	664
Interest on Overseas tax provision	308	-
Current tax charge for period	<u>2,394</u>	<u>2,011</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
52 week period ended 2 January 2015

7. INTANGIBLE FIXED ASSETS

Group	Goodwill
	£'000
Cost	
At 3 January 2014	3,098
Exchange differences	(18)
At 2 January 2015	3,080
Amortisation	
At 3 January 2014	2,773
Amortisation	324
Exchange differences	(17)
At 2 January 2015	3,080
Net book value	
At 2 January 2015	-
At 3 January 2014	325

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 3 January 2014	145	12,569	104	12,818
Exchange differences	7	48	(6)	49
Additions	-	862	11	873
Disposals	-	(91)	(8)	(99)
At 2 January 2015	152	13,388	101	13,641
Depreciation				
At 3 January 2014	86	9,301	88	9,475
Exchange differences	4	37	(4)	37
Charge for the period	5	1,669	9	1,683
Disposals	-	(83)	(8)	(91)
At 2 January 2015	95	10,924	85	11,104
Net book value				
At 2 January 2015	57	2,464	16	2,537
At 3 January 2014	59	3,268	16	3,343

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
52 week period ended 2 January 2015

8. TANGIBLE FIXED ASSETS (CONTINUED)

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

	2	3
	January	January
	2015	2014
	£'000	£'000
Cost	1,111	1,111
Depreciation	(1,077)	(1,024)
Net book value	<u>34</u>	<u>87</u>

Company	Plant and equipment £'000
Cost	
At 3 January 2014 and 2 January 2015	<u>161</u>
Depreciation	
At 3 January 2014	154
Charge in period	4
At 2 January 2015	<u>158</u>
Net book value	
At 2 January 2015	<u>3</u>
At 3 January 2014	<u>7</u>

9. INVESTMENTS

	2	3
	January	January
	2015	2014
	£'000	£'000
Group		
Joint ventures		
Share of assets	1,431	1,283
Share of liabilities	(538)	(490)
	<u>893</u>	<u>793</u>
Investments at 4 January / 1 January	793	804
Exchange gain / (loss)	30	(11)
Distributions	(4)	(21)
Movement in equity account due to trading	-	(71)
Share of joint venture profit	74	92
Investments at 2 January / 3 January	<u>893</u>	<u>793</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
52 week period ended 2 January 2015

9. INVESTMENTS (CONTINUED)

	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 period ending 2 January 2015.

Company	2 January 2015 £'000	3 January 2014 £'000
Investments at 4 January / 1 January	14,349	16,439
Capital injection into MWH SA	860	-
Capital injection into MWH India	590	1,111
Impairment of MWH India	(1,000)	(1,246)
Impairment of MWH SA	(891)	-
Capital injection into MWH BV	-	884
Impairment of MWH BV	-	(2,829)
Capital reduction in MWH Programme Management	-	(10)
Investments at 2 January / 3 January	<u>13,908</u>	<u>14,349</u>

MWH EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

52 week period ended 2 January 2015

9. INVESTMENTS (CONTINUED)

Subsidiary Undertakings

Company	Country of incorporation	% of Equity Owned (all ordinary shares)
MWH UK Limited	UK	100%
MWH SPA	Italy	100%
MWH SA	Belgium	100%
Pardevo SA	Belgium	99.96%
Thomas Hawksley Consulting Limited (previously MWH Programme Management Limited)	UK	100%
MWH India Pvt Limited	India	99.99%
MWH BV	Netherlands	100%
MWH ResourceNet (India) Pvt Limited	India	99.89%

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	
	2 January 2015 £'000	3 January 2014 £'000	2 January 2015 £'000	3 January 2014 £'000
Trade debtors	-	-	20,911	17,401
Amounts recoverable on contracts	-	-	21,243	20,420
Amounts owed by group undertakings	13,856	14,230	15,082	14,750
Amounts owed by undertakings in which the company has a participating interest	-	-	457	421
Corporation tax	-	-	1,625	2,282
Deferred taxation (see note 13)	1,155	111	2,243	1,352
Other debtors	1,870	1,692	2,870	2,840
Prepayments and accrued income	-	-	3,674	3,462
	<u>16,881</u>	<u>16,033</u>	<u>68,105</u>	<u>62,928</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
52 week period ended 2 January 2015

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Company		Group	
	2	3	2	3
	January	January	January	January
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Trade creditors	73	-	8,299	5,098
Bank loans and overdrafts	-	-	-	43
Amounts owed to group undertakings	22,241	20,892	10,283	8,623
Amounts owed to undertakings in which the company has a participating interest	-	-	30	45
Obligations under finance lease	-	-	33	61
Other taxes and social security	86	76	3,648	4,179
Other creditors	36	37	2,881	2,549
Accruals and deferred income	109	63	19,141	18,075
	<u>22,545</u>	<u>21,068</u>	<u>44,315</u>	<u>38,673</u>

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

	Company		Group	
	2	3	2	3
	January	January	January	January
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Annuity	414	480	414	480
Obligations under finance lease	-	-	7	35
Income Tax Payable	1,308	-	1,308	-
	<u>1,722</u>	<u>480</u>	<u>1,729</u>	<u>515</u>

Obligations under finance leases and hire purchase contracts:

	2	3
	January	January
	2015	2014
	£'000	£'000
Minimum lease payments payable:		
Within one year	33	61
Between one and five years	7	35
	<u>40</u>	<u>96</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
52 week period ended 2 January 2015

13. DEFERRED TAXATION

As at 2 January 2015 and 3 January 2014 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 £1,389,000 (period ended 3 January 2014: £1,363,000)
MWH BV £455,000 (period ended 3 January 2014: £682,000)

MOVEMENT ON DEFERRED TAXATION ASSET BALANCE IN THE PERIOD

	Company		Group	
	2	3	2	3
	January	January	January	January
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Opening balance	111	126	1,352	594
Credited to profit and loss account	44	2	(94)	914
Overseas Tax Provision	1,000	-	1,000	-
Effect of foreign exchange	-	-	(15)	(55)
Effect of change in corporation tax rate	-	(17)	-	(101)
Closing asset balance (note 10)	<u>1,155</u>	<u>111</u>	<u>2,243</u>	<u>1,352</u>

ANALYSIS OF PROVIDED DEFERRED TAXATION BALANCE

	Company		Group	
	2	3	2	3
	January	January	January	January
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Capital allowances in excess of depreciation	10	7	547	615
Overseas Tax provision	1,000	-	1,000	-
Short term timing differences	145	104	696	737
Deferred tax asset (note 10)	<u>1,155</u>	<u>111</u>	<u>2,243</u>	<u>1,352</u>

MOVEMENT ON DEFERRED TAXATION RECOGNISED ON THE PENSION LIABILITY:

	Group	
	2	3
	January	January
	2015	2014
	£'000	£'000
At 4 January / 1 January	1,081	1,490
Change in tax rate	-	72
Charged to the profit and loss account	(612)	(515)
Credited to the statement of total recognised gains and losses	953	34
At 2 January / 3 January (note 18)	<u>1,422</u>	<u>1,081</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
52 week period ended 2 January 2015

14. CALLED-UP SHARE CAPITAL

Group and Company	2 January 2015 £'000	3 January 2014 £'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	
	2 January 2015 £'000	3 January 2014 £'000	2 January 2015 £'000	3 January 2014 £'000
At 4 January / 1 January	(793)	702	24,038	23,163
Exchange movement	-	-	137	(1,169)
Actuarial loss on the defined benefit pension scheme	-	-	(4,764)	(1,497)
Tax on actuarial loss on the defined benefit pension scheme	-	-	953	34
Transfer from revaluation reserve (note 16)	-	-	-	1,651
(Loss)/Profit for the financial period	(1,180)	(1,495)	3,885	1,856
At 2 January / 3 January	(1,973)	(793)	24,249	24,038
Retained (loss) / profit excluding pension liability	(1,973)	(793)	29,937	28,359
Pension liability (note 18)	-	-	(5,688)	(4,321)
Retained (loss) / profit	(1,973)	(793)	24,249	24,038

16. REVALUATION RESERVE

Group	2 January 2015 £'000	3 January 2014 £'000
At 4 January / 1 January	-	1,651
Transfer to P&L reserve	-	(1,651)
At 2 January / 3 January	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
52 week period ended 2 January 2015

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

Group	2 January 2015 £'000	3 January 2014 £'000
Shareholder's funds at 4 January / 1 January	34,038	34,814
Profit for the financial period	3,885	1,856
Actuarial loss on the defined benefit pension scheme	(4,764)	(1,497)
Tax on actuarial loss on the defined benefit pension scheme	953	34
Exchange gains / (losses)	137	(1,169)
Shareholder's funds at 2 January / 3 January	<u>34,249</u>	<u>34,038</u>

18. 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 £4,765,380 (period ended 3 January 2014: £4,720,396) to the UK defined contribution plan. There were no unpaid contributions to the Defined Contribution scheme at 2 January 2015 (3 January 2014: £nil). Various overseas companies also pay contributions on behalf of employees. For the period ended 2 January 2015 these amounted to £702,619 (period ended 3 January 2014: £1,064,449).

(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 31 March 2014, 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 £65,847,000. However the actuarial total liabilities at the valuation date (including members' Additional Voluntary Contributions) were £71,943,000. Consequently the assets covered only 92% of the liabilities. In accordance with actuarial advice that the trustee received, the company intends to fund this deficit by making contributions each year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
52 week period ended 2 January 2015

18. PENSION SCHEME (CONTINUED)

A group contribution of approximately £3,000,000 per annum is currently being paid, covering all divisions of the plan. The approximate employer contributions of £3,000,000 reflect a Recovery Plan of approximately 2 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:

	2014	2013	2012	2011
Discount rate at the end of the period.	3.40%	4.40%	4.10%	4.80%
Expected return on the plan assets	4.66%	5.20%	4.20%	4.20%
Rate of increase in salaries	n/a	n/a	n/a	n/a
Rate of future inflation	2.75%	3.25%	2.60%	2.60%
Rate of increase in future pensions in payment, split:				
Inflation linked up to 5% pa	3.50%	3.50%	3.50%	3.50%
Inflation linked up to 2.5% pa	n/a	n/a	n/a	n/a
Mortality table pre retirement	None	None	None	None
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)
52 week period ended 2 January 2015

18. 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:

	2014 Value of assets £'000	2013 Value of assets £'000	2012 Value of assets £'000	2011 Value of assets £'000	2010 Value of assets £'000
Group pension contract	68,736	66,963	65,952	62,064	55,293
Total fair value of assets	68,736	66,963	65,952	62,064	55,293
Present value of liabilities	(75,846)	(72,365)	(72,430)	(68,008)	(64,000)
Deficit in the plan	(7,110)	(5,402)	(6,478)	(5,944)	(8,707)
Deferred taxation	1,422	1,081	1,490	1,487	2,351
Deficit after taxation	<u>(5,688)</u>	<u>(4,321)</u>	<u>(4,988)</u>	<u>(4,457)</u>	<u>(6,356)</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:

	2 January 2015 £'000	3 January 2014 £'000
Current service cost	(200)	(200)
Total operating charge	<u>(200)</u>	<u>(200)</u>

Analysis of the amount charged to other finance costs:

	2 January 2015 £'000	3 January 2014 £'000
Expected return on scheme assets	3,433	2,720
Interest cost	(3,083)	(2,866)
Other finance income / (costs)	<u>350</u>	<u>(146)</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)
52 week period ended 2 January 2015

18. PENSION SCHEME (CONTINUED)

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

	2 January 2015 £'000	3 January 2014 £'000
Actual return less expected return on assets	258	679
Experience gains and losses arising on the scheme liabilities	1,418	125
Effects of changes in assumptions underlying the present value of scheme liabilities	<u>(6,440)</u>	<u>(2,301)</u>
Actuarial loss recognised in the statement of total recognised gains and losses	<u><u>(4,764)</u></u>	<u><u>(1,497)</u></u>

The actual return on the plan assets during the period was £3,691,000 (period ended 3 January 2014: £3,399,000).

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

	Expected rate of return 2014 %	Value 2014 £'000	Expected rate of return 2013 %	Value 2013 £'000
Equities and property	6.18	42,685	6.35	41,785
Corporate bonds	2.18	14,435	3.35	19,151
Cash	2.18	11,616	3.35	6,027
	<u>4.66</u>	<u>68,736</u>	<u>5.20</u>	<u>66,963</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
52 week period ended 2 January 2015

18. PENSION SCHEME (CONTINUED)

History of experience gains and losses:

	2014	2013	2012	2011	2010
	£'000	£'000	£'000	£'000	£'000
Difference between the expected and actual return on scheme assets:					
Amount (£'000)	258	679	1,987	2,689	5,151
Percentage of scheme assets	<u>0.4%</u>	<u>1.0%</u>	<u>3.0%</u>	<u>4.3%</u>	<u>9.3%</u>
Experience gains and losses on scheme liabilities:					
Amount (£'000)	1,418	125	(810)	310	(193)
Percentage of the present value of scheme liabilities	<u>1.9%</u>	<u>0.2%</u>	<u>(1.1%)</u>	<u>0.4%</u>	<u>(0.3%)</u>
Total actuarial gain/(loss) in the statement of total recognised gains and losses:					
Amount (£'000)	(4,764)	(1,497)	(2,801)	(1,963)	7,519
Percentage of the present value of scheme liabilities	<u>(6.3%)</u>	<u>(2.1%)</u>	<u>(3.9%)</u>	<u>(2.9%)</u>	<u>11.7%</u>

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

	2	3
	January	January
	2015	2014
	£'000	£'000
Opening deficit in the scheme after taxation	(4,321)	(4,988)
Current service cost	(200)	(200)
Contributions	2,906	2,919
Other finance costs	350	(146)
Actuarial loss	(4,764)	(1,497)
Taxation - credit/(charge)	341	(409)
Closing deficit in the scheme after taxation	<u>(5,688)</u>	<u>(4,321)</u>

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 £15,123,000 (2013: £10,359,000).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
52 week period ended 2 January 2015

18. PENSION SCHEME (CONTINUED)

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

	2	3
	January	January
	2015	2014
	£'000	£'000
At 4 January / 1 January	66,963	65,952
Expected return on plan assets	3,433	2,720
Actuarial gains on assets	258	679
Contributions paid by the employer	2,906	2,919
Benefits paid	(4,824)	(5,307)
	<u>68,736</u>	<u>66,963</u>
At 2 January / 3 January	<u>68,736</u>	<u>66,963</u>

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

	2	3
	January	January
	2015	2014
	£'000	£'000
At 4 January / 1 January	72,365	72,430
Current service cost	200	200
Interest cost	3,083	2,866
Actuarial loss on obligation	5,022	2,176
Benefits paid	(4,824)	(5,307)
	<u>75,846</u>	<u>72,365</u>
At 2 January / 3 January	<u>75,846</u>	<u>72,365</u>

19. OPERATING LEASE COMMITMENTS

At 2 January 2015 the group was committed to making the following payments during the following year in respect of non-cancellable operating leases:

	Land and	Other	Land and	Other
	buildings		buildings	
	2	2	3	3
	January	January	January	January
	2015	2015	2014	2014
	£000	£000	£000	£000
Lease which expire:				
Within one year	248	335	919	581
Within two to five years	2,236	632	1,403	662
After five years	-	-	237	-
	<u>2,484</u>	<u>967</u>	<u>2,559</u>	<u>1,243</u>

The company has no operating lease commitments.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
52 week period ended 2 January 2015

20. CONTINGENT LIABILITIES AND CAPITAL EXPENDITURE

At 2 January 2015, the group had contingent liabilities in respect of normal trading guarantees given to its bankers amounting to £1,901,862 (3 January 2014: £3,138,000). The company and the group had no capital expenditure commitments as at 2 January 2015 (3 January 2014: £nil).

21. TRADING TRANSACTIONS

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

Amounts owed by / (to) related parties:

	2 January 2015 £'000	3 January 2014 £'000
Montgomery Watson Gulf Consult	295	295
MWH Khonji	106	80
Total	401	375

	2 January 2015 £'000	3 January 2014 £'000
Included within amounts owed by joint ventures	431	421
Included within amounts owed to joint ventures	(30)	(46)
Total	401	375

22. 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 are available to the public from Forum Administrators BV, Weena 336, 3012 NJ, Rotterdam, The Netherlands.