

Company Registration No. 637008

Birse Civils Limited

Report and Financial Statements

Year ended 31 December 2011



Birse Civils Limited

Report and Financial Statements 2011

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Birse Civils Limited

Report and Financial Statements 2011

Officers and Professional Advisers

Directors

Mark Farrah
Mark Johnson
Marshall Scott
Stephen Kennedy
Murray Easton

Secretary

Emma Campbell

Registered office

3 Grimston Grange
Sherburn Road
Tadcaster
North Yorkshire
LS24 9BX

Bankers

HSBC plc
Level 38
8 Canada Square
London
E14 5HQ

Auditor

Deloitte LLP
Chartered Accountants and Statutory Auditor
Glasgow

Birse Civils Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2011

Activities and future prospects

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

The results for the year are set out in the profit and loss account on page 8.

In 2011 turnover was down on the previous year from £269m in 2010 to £210m in 2011 which represents a 22% decrease. The principal reasons for this were reductions in government spending and delays to publicly funded infrastructure schemes following the Comprehensive Spending Review in 2010. This was combined with very subdued levels of activity in the privately funded infrastructure sector due to the quiet housing market and the economic downturn generally. In 2011 there were no significant changes to the structure of Birse Civils. The business continued to be structured as two divisions Birse Civils - North and Birse Civils - South. The business continued to trade through five geographical regions, North West, North East, Eastern, Western and South East, with some limited activity in the specialist areas of Traffic Management, Coastal, Water and Nuclear. Highlights during the year included securing a second year extension to the Environment Agency's NCF2 Framework for River and Coastal Flood Alleviation, a good level of activity in the Highways Agency Frameworks and contract awards including Wrexham Industrial Estate Access Road and the M25 Cobham S278 Works.

At 31 December 2011 the company had cash at bank and in hand of £32m (2010: £40m) and net assets before the pension liability of £5m (2010: £12m).

Our business strategy includes the following key focus areas:

- Safe operations – Take Care / Take safety personal and Zero Harm
- Customer expectations exceeded
- Group Values of Integrity, Teamwork, Excellence and Respect
- Successful employees
- Recognition and respect within the industry

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

The following non-financial indicators are utilised:

K P I	Actual	Target
Accident Frequency Rate	0.03	0.10
% of customers who would recommend Birse to others	95.4%	96%
Staff turnover	8%	7%
Recognised Industry Awards	70	30

Birse Civils Limited

Directors' report (continued)

Principal uncertainty

Despite some success in diversifying into new privately funded market sectors such as Renewable Energy and civil engineering works in connection with Commercial Building, a large proportion of the Company's revenue continues to be publicly funded infrastructure. Therefore the major uncertainty we face continues to be the level of Government spending on public infrastructure. During 2011, many publicly funded infrastructure projects were delayed or cancelled due to the Government's Spending Review in the previous year. Key Government departments which sponsor infrastructure schemes had their budgets cut by in excess of 30% for the 4 year spending review period (2010/11 to 2014/15). To mitigate the effects of reductions in Government Spending, the Company will continue to seek new customers in the private sector. However, the general economic downturn continues to suppress activity in this sector and investment decisions tend to be deferred. The timing of an economic upturn remains uncertain, however there are signs that some private developers are now preparing schemes for construction. In addition there was some encouraging news in the Chancellor's 2011 Autumn Statement, in which the government committed to invest £900m in the country's road network by April 2015. At the end of December 2011, the Company's order book was valued at £101m. In addition to this, the company is engaged in the Early Contractor Involvement stage of significant infrastructure projects including the A11 Fiveways to Thetford scheme (£70m) for the Highways Agency. The directors are of the opinion that turnover for the year to 31 December 2012 should increase as a result of publicly funded schemes coming to market in accordance with the Government's commitments to invest in infrastructure and emerging activity levels in the private infrastructure sectors including Renewable Energy.

In addition to the uncertainty of workload, moving into new market sectors and working for new private sector customers introduces risks. The company is managing these risks by sticking to market sectors which require similar core competencies, selecting project teams possessing the right skills and implementing rigorous commercial controls.

Going concern

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

Directors

The following were Directors of the Company during the year and up to the date of this report

M Farrah
M Johnson
M Scott
S Kennedy
M Easton

Dividend

The directors do not recommend payment of a final dividend (2010 £nil)

Taxation status

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

Treasury

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

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

Birse Civils Limited

Directors' report (continued)

Supplier payment policy

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

The trade creditors at 31 December 2011 represent 39 creditor days (2010 42 days) based on the total amounts invoiced by suppliers during the year

Employees

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

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

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

Full and fair consideration is given to all applicants for employment

Auditor

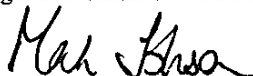
Each of the persons who is a director at the date of approval of this report confirms that,

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/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

A resolution to reappoint Deloitte LLP as the Company's auditor will be proposed at the forthcoming Annual General Meeting

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



M Johnson
Director

6/9/2012

Birse Civils Limited

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 company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to,

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting 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 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.

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

Independent Auditor's Report To The Members Of Birse Civils Limited

We have audited the financial statements of Birse Civils Limited for the year ended 31 December 2011 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Reconciliation of Movements in Shareholders' Funds/(Deficit) and the related notes 1 to 20. 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 company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

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, or returns adequate for our audit have not been received from branches not visited by us, or
- the 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



Colin Gibson CA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Glasgow
10 September 2012

Birse Civils Limited

Profit and loss account Year ended 31 December 2011

	Note	2011 £'000	2010 £'000
Turnover – continuing operations	2	209,610	269,023
Cost of sales		(196,048)	(247,788)
Gross profit		13,562	21,235
Administrative expenses		(15,513)	(16,481)
Operating (Loss)/Profit - continuing operations	4	(1,951)	4,754
Net interest payable	5	35	(1,296)
(Loss)/Profit ordinary activities before taxation		(1,916)	3,458
Tax on (loss)/profit on ordinary activities	6	351	(1,232)
(Loss)/Profit for the financial year	15	(1,565)	2,226

The above results derive from continuing operations

Statement of total recognised gains and losses Year ended 31 December 2011

	2011 £'000	2010 £'000
(Loss)/Profit for the financial year	(1,565)	2,226
Actuarial gains on retirement benefit obligations	5,447	8,161
Tax on items in equity	(1,656)	(2,285)
Total recognised gains and losses for the year	2,226	8,102

Birse Civils Limited

Balance sheet 31 December 2011

	Note	2011 £'000	2010 £'000
Fixed assets			
Tangible assets	8	383	457
Current assets			
Debtors	9	44,856	73,526
Debtors due after more than one year	9	3,775	4,221
Cash at bank and in hand		31,823	40,068
		<u>80,454</u>	<u>117,815</u>
Creditors' amounts falling due within one year	10	<u>(73,562)</u>	<u>(104,099)</u>
Net current assets		<u>6,892</u>	<u>13,716</u>
Total assets less current liabilities		<u>7,275</u>	<u>14,173</u>
Creditors. Amounts falling due after more than one year	11	<u>(1,978)</u>	<u>(2,033)</u>
Net assets excluding retirement benefit obligations		<u>5,297</u>	<u>12,140</u>
Retirement benefit obligations	18	<u>(5,612)</u>	<u>(14,700)</u>
Net assets/(liabilities) including retirement benefit obligations		<u>(315)</u>	<u>(2,560)</u>
Share capital and reserves			
Called up share capital	14	5,000	5,000
Other reserves	7,15	127	108
Profit and loss account	15	<u>(5,442)</u>	<u>(7,668)</u>
Shareholders' funds/(deficit)		<u>(315)</u>	<u>(2,560)</u>

The financial statements of Birse Civils Limited (company registration number 637008) were approved by the Board of Directors on 6/9/2012

Signed on behalf of the Board of Directors



M Johnson

Director

Birse Civils Limited

Reconciliation of movements in shareholders' funds/(deficit) Year ended 31 December 2011

	2011 £'000	2010 £'000
Loss/Profit for the financial year	(1,565)	2,226
Actuarial gains and losses on retirement benefit obligations	5,447	8,161
Tax on items in equity	(1,656)	(2,285)
Movement in other reserve (note 7)	19	1
	<hr/>	<hr/>
Net reduction in shareholders' deficit	2,245	8,103
Opening shareholders' deficit	(2,560)	(10,663)
	<hr/>	<hr/>
Closing shareholders' funds/(deficit)	(315)	(2,560)

Birse Civils Limited

Notes to the financial statements **Year ended 31 December 2011**

1. Accounting policies

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

The financial statements are prepared under the historical cost convention in accordance with the reporting requirements of the Companies Act 2006, together with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below.

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

Cash flow statement

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

Tangible fixed assets

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

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

Fixtures and fittings	20% - 33%
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Long term contracts

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

Pension costs

For defined benefit pension schemes the cost of providing benefits are recognised in the profit and loss account and the defined benefit obligation is determined at the balance sheet date using the projected unit credit method by independent actuaries. The liability recognised in the balance sheet comprises the present value of the defined benefit obligation, determined by discounting the estimated future cash flows using the rate of interest on high quality corporate bonds, less the fair value of the plan assets. Actuarial gains and losses are recognised in full outside the profit and loss account in the year in which they occur in the statement of total recognised gains and losses. Contributions to defined contribution pension schemes are charged to the profit and loss account as they fall due.

Taxation

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

Deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Birse Civils Limited

Notes to the financial statements Year ended 31 December 2011

1 Accounting policies (continued)

Leases and hire purchase contracts

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

Share-based payments

Employee services received in exchange for the grant by Balfour Beatty plc of share options, performance share plan awards and deferred bonus plan awards since 7 November 2002 are charged in the income statement over the vesting period, based on the fair values of the options or awards at the date of grant and the numbers expected to become exercisable. The credits in respect of the amounts charged are included within separate reserves in equity until such time as the options or awards are exercised.

2 Turnover

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

3 Information regarding directors and employees

	2011 £'000	2010 £'000
Directors' emoluments		
Remuneration	279	262
Pension contributions	-	37
	<u>279</u>	<u>299</u>
Highest paid director		
Remuneration	140	109
Pension contributions	-	23
	<u>140</u>	<u>132</u>

The accrued pension of the highest paid director as at 31 December 2011 amounted to £32,504 (2010 £32,504). All directors are members of the Group's defined benefit pension scheme.

	2011 No	2010 No.
Average number of persons employed		
Production	472	528
Administration	167	185
	<u>639</u>	<u>713</u>

Birse Civils Limited

Notes to the financial statements Year ended 31 December 2011

3 Information regarding directors and employees (continued)

	2011 £'000	2010 £'000
Staff costs during the year (including directors)		
Wages and salaries	27,245	30,434
Social security costs	3,232	2,561
Defined contribution pension costs	3,005	2,165
Share-based payments	19	1
	<u>33,501</u>	<u>35,161</u>

The defined benefit pension contributions are disclosed in note 18

Of the 639 employees employed by the Company in the year, 72 (2010: 87) are utilised by other Group companies and their attendant costs are not recognised in these financial statements. The adjusted information relating to employees and staff costs utilised by Birse Civils Limited is as follows:

	2011 No.	2010 No.
Average number of persons employed		
Production	439	485
Administration	128	141
	<u>567</u>	<u>626</u>
	£'000	£'000
Staff costs during the year (including directors)		
Wages and salaries	24,864	27,638
Social security costs	3,021	2,351
Defined contribution pension costs	2,873	2,025
Share-based payments	19	1
	<u>30,777</u>	<u>32,015</u>

4. Operating profit

	2011 £'000	2010 £'000
Operating profit is after charging		
Depreciation		
- on assets held under finance leases and hire purchase contracts	13	32
- owned assets	61	108
Operating lease rentals -		
- land and buildings	632	637
- plant and machinery	2,593	3,793
Fees payable to the company's auditor for the audit of the company's financial statements	60	50
	<u></u>	<u></u>

Birse Civils Limited

Notes to the financial statements Year ended 31 December 2011

5. Net interest payable

	2011 £'000	2010 £'000
Other interest payable	(32)	(31)
Finance charges payable under finance leases and hire purchase contracts	-	(2)
Pension scheme interest (note 18)	67	(1,263)
	<u>35</u>	<u>(1,296)</u>

6. Tax on (Loss)/profit on ordinary activities

	2011 £'000	2010 £'000
Corporation tax		
Corporation tax	2,396	177
Adjustments in respect of prior years	85	23
	<u>2,481</u>	<u>200</u>
Deferred tax		
Pension scheme	(1,913)	(1,163)
Deferred tax on share based payments	(3)	-
Timing differences, origination and reversal	(37)	(7)
Effect of rate change	(52)	(225)
Adjustments in respect of prior years	(107)	(37)
Capital Allowances in excess of depreciation	(18)	-
	<u>351</u>	<u>(1,232)</u>
Tax charge on (loss)/profit for the year		

Factors affecting tax charge for the year

The tax assessed for the year differs to the average rate of corporation tax of 26.5% (2010 28%). The differences are explained below

	2011 £'000	2010 £'000
(Loss)/Profit on ordinary activities before tax	<u>(1,916)</u>	<u>3,458</u>
Expected tax charge	507	(968)
Tax loss utilised	-	-
Expenses not deductible for tax purposes	(82)	(29)
Capital allowances in excess of depreciation	55	11
Adjustments in respect of prior years	85	23
Statutory deduction on share options	3	-
Movement on FRS 17 pension deficit	1,913	1,163
	<u>2,481</u>	<u>200</u>
Current tax credit on (loss)/profit on ordinary activities		

The Finance Act 2011 was substantively enacted on 19 July 2011 implementing a reduction to the main UK corporation tax rate from 27% to 25% effective from 1 April 2012

Additional changes were announced in the March 2012 budget statement to further reduce the main stream rate of corporation tax to 24% from 1 April 2012 and thereafter by 1% per year to 22% by 1 April 2014. The changes had not been substantively enacted at the balance sheet date and therefore are not included in these financial statements

Birse Civils Limited

Notes to the financial statements Year ended 31 December 2011

7 Share-based payments

Certain employees of the Company are participants in four equity-settled share-based payment arrangements operated by the Company's ultimate parent, Balfour Beatty plc, namely the savings-related share option schemes. The Company recognised total expenses related to equity-settled share-based payment transactions since 7 November 2002 of £19,000 in 2011 (2010 £1,000).

Savings-related share options

Balfour Beatty plc operates an HMRC approved savings-related share option scheme ("SAYE") under which employees are granted an option to purchase ordinary shares in Balfour Beatty plc in either three or five years time, dependent upon their entering into a contract to make monthly contributions to a savings account over the relevant period. These savings are used to fund the option exercise. This scheme is open to all employees based in the UK and performance conditions are not applied to the exercise of SAYE options. Employees normally have a period of six months after completion of the savings contributions during which to exercise the SAYE options, failing which they lapse. On 11 May 2011, options were granted over 3,073,128 ordinary shares at 236 0p per share, and these are normally exercisable in the periods from July 2013 to December 2013 and from July 2015 to December 2015 depending upon the length of savings contract chosen by the participant.

The information in relation to SAYE options granted to employees of the Company

	SAYE options number (adjusted) 2011	Weighted average Exercise Price Pence (adjusted) 2011	SAYE options number (adjusted) 2010	Weighted average Exercise Price Pence (adjusted) 2010
Outstanding at start of the year	198,137	280	185,229	309
Granted during the year	-	-	68,457	236
Transferred during the year	(6,167)	312	(6,287)	288
Forfeited during the year	(41,882)	290	(13,661)	298
Exercised during the year	(2,397)	271	-	-
Expired during the year	(14,061)	319	(35,601)	339
Outstanding at the end of the year	133,630	271	198,137	280
Exercisable at the end of the year	2,013	315	2,406	339

The weighted average share price at the date of exercise for those SAYE options exercised during the year by all participants was 309 6p (2010 251 9p). Those SAYE options granted to employees of the Company which were outstanding at 31 December 2011 had a weighted average remaining contractual life of 2.1 years (2010 2.7 years).

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Notes to the financial statements Year ended 31 December 2011

8. Fixed assets

	Fixtures & fittings £'000
Cost	
At 1 January 2011	963
Additions	-
At 31 December 2011	<u>963</u>
Depreciation	
At 1 January 2011	506
Charge for the year	74
At 31 December 2011	<u>580</u>
Net book value	
At 31 December 2011	<u>383</u>
At 31 December 2010	<u>457</u>

Included within fixed assets are assets held under finance lease with a net book value of £nil (2010 £13,000)

9 Debtors

	2011 £'000	2010 £'000
Trade debtors	21,789	43,512
Trade debtors due after more than one year	3,775	4,221
Amounts recoverable on contracts	10,389	18,142
Amounts owed by parent company and fellow subsidiary undertakings	7,897	9,547
Prepayments and accrued income	1,748	1,311
Corporation tax receivable	2,396	168
Deferred tax (note 13)	637	846
	<u>48,631</u>	<u>77,747</u>

10. Creditors amounts falling due within one year

	2011 £'000	2010 £'000
Trade creditors	44,805	65,563
Advance payments	3,704	17,276
Amounts owed to parent company and fellow subsidiary undertakings	17,972	14,178
Accruals and deferred income	2,483	2,080
Other taxation and social security	4,598	4,992
Obligations under finance leases and hire purchase contracts (note 12)	-	10
	<u>73,562</u>	<u>104,099</u>

Birse Civils Limited

Notes to the financial statements **Year ended 31 December 2011**

11 Creditors: amounts falling due after more than one year

	2011	2010
	£'000	£'000
Trade creditors (all due between 1 and 2 years)	1,978	2,033

12. Obligations under finance leases and hire purchase contracts

	2011	2010
	£'000	£'000
The maturity of these amounts is as follows		
Amounts payable		
Within one year	-	10
In two to five years	-	-
	-	10
Less finance charges allocated to future periods	-	-
	-	10
Finance leases and hire purchase contracts are analysed as follows		
Current obligations (note 10)	-	10
Non-current obligations (note 11)	-	-
	-	10
Analysis of changes in finance leases and hire purchase contracts during the current and previous periods		
At 1 January	10	49
Capital element of finance lease rental payments	(10)	(39)
At 31 December	-	10

Birse Civils Limited

Notes to the financial statements Year ended 31 December 2011

13. Deferred taxation

	Provided	
	2011	2010
	£'000	£'000
Depreciation in excess of capital allowances	138	141
Losses not utilised	496	688
Share based payments	3	17
	<u>637</u>	<u>846</u>

The deferred tax assets recognised (note 9) are based upon the estimated tax losses of the business that can be relieved or upon those timing differences that will reverse in the foreseeable future after taking into account the historical performance of the businesses

	Asset
	£'000
At 1 January 2011	846
Charged to the Profit and loss account	<u>(209)</u>
At 31 December 2011	<u>637</u>

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

14. Called up share capital

	2011	2010
	£'000	£'000
Called up, allotted and fully paid		
5,000,000 Ordinary shares of £1 each	<u>5,000</u>	<u>5,000</u>

15. Movements on reserves

	Other	Profit and
	reserves	loss account
	£'000	£'000
Balance at 1 January 2011	108	(7,668)
Loss for the year	-	(1,565)
Actuarial gains and losses on retirement benefit obligations	-	5,447
Tax on items taken directly to equity	-	(1,656)
Movements relating to share-based payments (note 7)	<u>19</u>	<u>-</u>
	<u>127</u>	<u>(5,442)</u>

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Notes to the financial statements Year ended 31 December 2011

16. Financial commitments

Operating lease commitments

At 31 December the company was committed to making the following annual payments under non-cancellable operating leases

	Land and Buildings	
	2011	2010
	£'000	£'000
Leases which expire		
Within one year	47	-
Between two and five years	581	637
After five years	-	-

17. Contingent liabilities, guarantees and security

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

18. Pension scheme

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

The defined benefit section is closed to new members with the exception of employees transferring under certain agreed arrangements.

During the year ended 31 December 2011 the Group made a pension increase exchange ("PIE") offer to certain current pensioners, widows and widowers of the BBPF to forego their entitlement to future non-statutory inflationary increases in return for a higher pension than their current entitlement, which resulted in a past service cost credit of £1.4m.

During the year ended 31 December 2010 the Group offered certain deferred members of the BBPF enhanced benefits to leave the BBPF and transfer to a freestanding defined contribution scheme, resulting in a net gain of £2m.

The investment strategy of the BBPF is to hold assets of appropriate liquidity and marketability to generate income and capital growth to meet, together with any contributions from the Group, the cost of current and future benefits. The BBPF invests partly in a diversified range of assets including equities and hedge funds in anticipation that, over the longer term, they will grow in value faster than the liabilities. The equities are in the form of pooled funds and are a combination of UK, other developed market and emerging market equities. The remaining BBPF assets are principally fixed and index-linked bonds and swaps in order to match the duration and inflation exposure of the liabilities and enhance the resilience of the funding level of the scheme. The performance of the assets is measured against market indices.

Obligations are calculated using the projected unit credit method and discounted to a net present value using the market yield on a high-quality corporate bond. Contributions are determined in accordance with independent actuarial advice and are based on pension costs across the Parent Company and its subsidiaries as a whole.

Allocation of the Balfour Beatty Pension Fund

The policy of the Balfour Beatty Group is that the assets, liabilities, income and expenditure relating to the BBPF allocated to each of the participating companies in the scheme in proportion to pensionable payroll for the year. Employer contributions paid and charged in the profit and loss account have been separately identified and the defined contribution section assets and liabilities have been excluded from the tables below. The disclosures shown below reflect the Company's proportion. The BBPF includes a defined contribution section.

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Notes to the financial statements Year ended 31 December 2011

18. Pension scheme (continued)

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

	Balfour Beatty Pension Fund 2011 %	Balfour Beatty Pension Fund 2010 %
Discount rate on obligations	4.85	5.45
Expected return on plan assets	5.20	6.10
Inflation rate – RPI	2.95	3.40
Inflation rate – CPI	2.05	2.90
Future increases in pensionable salary	4.45	4.90
Rate of increase in pensions in payment (or such other rate as is guaranteed)	2.85	3.30

The mortality tables adopted for the 2011 valuation are the SAPS tables with a multiplier of 94% and an improvement rate of 1.5% pa from 2003 to 2010, plus future improvements from 2010 in line with the CMI core projection model applicable to each member's year of birth with a long-term rate of 1.5% pa

	2011 Average life expectancy at 65 years of age	2010 Average life expectancy at 65 years of age
Members in receipt of pension		
– Male	22.0 years	21.8 years
– Female	24.6 years	24.5 years
Members not yet in receipt of pension (current age 50)		
– Male	23.8 years	23.7 years
– Female	26.5 years	26.4 years

The Balfour Beatty Pension Fund actuary undertakes regular mortality investigations based on the experience exhibited by pensioners of the BBPF and due to the size of the membership of the BBPF (44,832 members at 31 December 2011) is able to make comparisons of this experience with the mortality rates set out in the various published mortality tables. The actuary is also able to monitor changes in the exhibited mortality over time. As a result of these reviews the Parent Company is able to adopt with a measure of confidence consistent mortality assumptions across its various defined benefit schemes.

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18 Pension scheme (continued)

The amounts recognised in the balance sheet are as follows

	Balfour Beatty Pension Fund 2011 £'000	Balfour Beatty Pension Fund 2010 £'000
Present value of funded obligations	(192,332)	(173,535)
Fair value of plan assets	184,850	153,387
Pension fund liability	(7,482)	(20,148)
Related deferred tax asset	1,870	5,448
Net pension (liability)	(5,612)	(14,700)

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

	Balfour Beatty Pension Fund 2011 £'000	Balfour Beatty Pension Fund 2010 £'000
Current service cost	(3,123)	(3,268)
Expected return on plan assets	9,265	8,813
Interest cost	(9,198)	(10,076)
Total charged to profit and loss account	(3,056)	(4,531)

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

	Balfour Beatty Pension Fund 2011 £'000	Balfour Beatty Pension Fund 2010 £'000
Actuarial gains/(losses) on pension scheme obligations	(14,601)	18,976
Actuarial gains/(losses) on pension scheme assets	20,048	(10,815)
Total actuarial gains recognised in the statement of total recognised gains and losses	5,447	8,161
Cumulative gains/(losses) recognised in reserves	4,967	(10,414)

The actual return on plan assets was a gain of £29,313,000 (2010 £2,002,000)

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18. Pension scheme (continued)

The movement in the present value of obligations is as follows

	Balfour Beatty Pension Fund 2011 £'000	Balfour Beatty Pension Fund 2010 £'000
At 1 January	(173,535)	(182,423)
Service cost	(3,123)	(3,268)
Interest cost	(9,198)	(10,076)
Actuarial (losses)/gains	(14,601)	19,008
Contributions from members	(19)	(16)
Benefits paid	8,144	3,240
At 31 December	<u>(192,332)</u>	<u>(173,535)</u>

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

	Balfour Beatty Pension Fund 2011 £'000	Balfour Beatty Pension Fund 2010 £'000
At 1 January	153,387	149,966
Expected return on plan assets	9,265	8,813
Actuarial gains/(losses)	20,048	(10,815)
Contributions from employer - regular funding	3,167	2,293
Contributions from employer - deficit funding	7,108	6,354
Contributions from members	19	16
Benefits paid	(8,144)	(3,240)
At 31 December	<u>184,850</u>	<u>153,387</u>

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18. Pension scheme (continued)

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

Balfour Beatty Pension Fund	Expected rate of return 2011 %	Value 2011 £'000	Expected rate of return 2010 %	Value 2010 £'000
Equities	7.3	30,428	8	53,546
Bonds				
- index linked gilts	2.75	25,701	4	20,861
- fixed rate gilts	3.05	32,627	3	10,789
- corporate and other bonds	4.8	40,973	4	53,776
Funds of hedge funds	6.9	16,246	6	6,253
Cash and other net assets	2.55	38,875	3	8,162
Total		184,850		153,387

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

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

The five-year history of experience adjustments is as follows

	2012 £	2011 £	2010 £	2009 £	2008 £
Present value of defined benefit obligations	(192,332)	(173,535)	(182,423)	(148,985)	(175,053)
Fair value of scheme assets	184,850	153,387	149,966	132,406	154,435
Surplus / (deficit) in the scheme	(7,482)	(20,148)	(32,457)	(16,579)	(20,614)
Experience adjustments on scheme liabilities Amount (£)	(2,363)	72,260	(877)	(877)	4,734
Percentage of scheme liabilities (%)	1	(41)	0	0	(2)
Experience adjustments on scheme assets Amount (£)	20,048	(10,815)	11,500	(31,156)	106,825
Percentage of scheme assets (%)	10	7	7	(23)	69

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Pension Scheme Continued

The estimated amounts of contributions expected to be paid to the principal defined benefit schemes during 2012 are as follows

	Balfour Beatty Pension Fund 2011 £'000
Regular funding	2,491
Deficit funding	3,747
Total	<u>6,238</u>

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

	2011 £'000	2010 £'000
Defined benefit obligations at end of year	(192,332)	(173,535)
Fair value of assets at end of year	184,850	153,387
Funded status at end of year	(7,482)	(20,148)

Funding valuations

The last formal funding valuation is as detailed below

	Balfour Beatty Pension Fund £'m
Last formal funding valuation	31 March 2010
Scheme deficit	
Market value of assets	100
Present value of scheme liabilities	(104)
Deficit in defined benefit scheme	<u>(4)</u>
Funding level	<u>96%</u>

19. Related party transactions

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

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

20 Ultimate parent company

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