

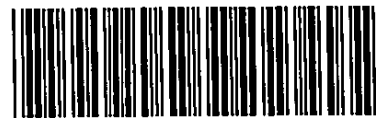
**Company Registration No. 637008**

**Birse Civils Limited**

**Report and Financial Statements**

**Year ended 31 December 2012**

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# **Birse Civils Limited**

## **Report and Financial Statements 2012**

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# **Birse Civils Limited**

## **Report and Financial Statements 2012**

### **Officers and Professional Advisers**

#### **Directors**

Mark Farrah  
Murray Easton  
William Aitchinson  
Neil Patterson  
Bill Kingwell  
David Donaldson  
Beverly Dew  
John Walsh  
Michael Peasland

#### **Secretary**

Gregory Mutch

#### **Registered office**

130 Wilton Road  
London  
SW1V 1LQ

#### **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 2012

### 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 2012 turnover was down on the previous year from £210m in 2011 to £198m in 2012 which represents a 6% decrease which in part has led to a loss of £6.2m (2011 loss £1.6m). The principal reasons for this were reductions in government spending and delays to publicly funded infrastructure schemes following the Comprehensive Spending Review in 2011. 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 2012 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 2012 the company had cash at bank and in hand of £19.6m (2011 £31.8m) and net liability before the pension liability of £3.8m (2011 net asset £5.3m).

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.

In addition to the financial results set out above the following non-financial indicators are utilised:

K P I	Actual	Target
Accident Frequency Rate	0.06	0.10
% of customers who would recommend Birse to others	98.3%	96%
Staff turnover	14%	7%

# **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.

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  
W Aitchinson (appointed 8 March 2013)  
N Patterson (appointed 1 March 2013)  
B Kingwell (appointed 1 March 2013)  
D Donaldson (appointed 22 May 2013)  
B Dew (appointed 30 August 2013)  
J Walsh (appointed 5 July 2013)  
M Johnson (resigned 16<sup>th</sup> November 2012)  
M Scott (resigned 12 March 2012)  
S Kennedy (resigned 22 May 2013)  
M Easton  
H Macaulay (appointed 16<sup>th</sup> November 2012) (resigned 22 May 2013)  
A Scott (appointed 26 February 2013) (resigned 30 August 2013)  
M Peasland (appointed 22 May 2013)  
S Waite (appointed 20 March 2013) (resigned 10 July 2013)

### **Dividend**

The directors do not recommend payment of a final dividend (2011 £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 2012 represent 28.5 creditor days (2011: 39 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

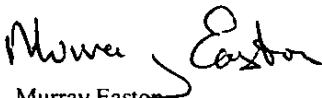
Each of the persons who is a director at the date of approval of this report confirms that,

- 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

  
Murray Easton  
Director  
27 September 2013

# **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 2012 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 18. 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 2012 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.

## **Independent Auditor's Report To The Members Of Birse Civils 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, 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

27 September 2013

## Birse Civils Limited

### Profit and loss account Year ended 31 December 2012

	Note	2012 £'000	2011 £'000
Turnover – continuing operations	1	198,278	209,610
Cost of sales		(196,176)	(196,048)
<b>Gross profit</b>		<b>2,102</b>	<b>13,562</b>
Administrative expenses		(9,775)	(15,513)
<b>Operating Loss - continuing operations</b>	3	<b>(7,673)</b>	<b>(1,951)</b>
Net interest receivable	4	432	35
<b>Loss ordinary activities before taxation</b>		<b>(7,241)</b>	<b>(1,916)</b>
Tax on (loss)/profit on ordinary activities	5	1,082	351
<b>Loss for the financial year</b>	13	<b>(6,159)</b>	<b>(1,565)</b>

The above results derive from continuing operations

The notes on pages 11-24 form an integral part of the financial statements

### Statement of total recognised gains and losses

Year ended 31 December 2012

	2012 £'000	2011 £'000
<b>Loss for the financial year</b>	<b>(6,159)</b>	<b>(1,565)</b>
Actuarial (loss)/ gain on retirement benefit obligations	(7,416)	5,447
Tax on items in equity	1,615	(1,656)
<b>Total recognised gains and losses for the year</b>	<b>(11,960)</b>	<b>2,226</b>

# Birse Civils Limited

## Balance sheet

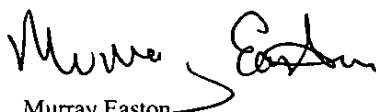
31 December 2012

	Note	2012 £'000	2011 £'000
<b>Fixed assets</b>			
Tangible assets	7	365	383
<b>Current assets</b>			
Debtors	8	57,039	44,856
Debtors due after more than one year	8	3,867	3,775
Cash at bank and in hand		19,610	31,823
<b>Creditors: amounts falling due within one year</b>	9	80,516 (82,795)	80,454 (73,562)
<b>Net current (liabilities)/ assets</b>		(2,279)	6,892
<b>Total assets less current liabilities</b>		(1,914)	7,275
<b>Creditors: Amounts falling due after more than one year</b>	10	(1,853)	(1,978)
<b>Net (liabilities)/ assets excluding retirement benefit obligations</b>		(3,767)	5,297
Retirement benefit obligations	16	(8,492)	(5,612)
<b>Net liabilities</b>		(12,259)	(315)
<b>Share capital and reserves</b>			
Called up share capital	12	5,000	5,000
Other reserves	6,13	143	127
Profit and loss account	13	(17,402)	(5,442)
<b>Shareholders' deficit</b>		(12,259)	(315)

The notes on pages 11-24 form an integral part of the financial statements

The financial statements of Birse Civils Limited (company registration number 637008) were approved by the Board of Directors on 27 September 2013

Signed on behalf of the Board of Directors



Murray Easton

Director

## **Birse Civils Limited**

### **Reconciliation of movements in shareholders' funds/(deficit) Year ended 31 December 2012**

	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
Loss for the financial year	(6,159)	(1,565)
Actuarial ( losses) and gains on retirement benefit obligations	(7,416)	5,447
Tax on items in equity	1,615	(1,656)
Movement in other reserve (note 6)	16	19
	<hr/>	<hr/>
<b>Net movement in shareholders' deficit</b>	<b>(11,944)</b>	<b>2,245</b>
Opening shareholders' deficit	(315)	(2,560)
	<hr/>	<hr/>
<b>Closing shareholders' (deficit)</b>	<b>(12,259)</b>	<b>(315)</b>

The notes on pages 11-24 form an integral part of the financial statements

# **Birse Civils Limited**

## **Notes to the financial statements Year ended 31 December 2012**

### **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 2012

### 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.

#### 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.

### 2. Information regarding directors and employees

	2012 £'000	2011 £'000
<b>Directors' emoluments</b>		
Remuneration	308	279
Pension contributions	41	-
	<u>349</u>	<u>279</u>
<b>Highest paid director</b>		
Remuneration	164	140
Pension contributions	20	-
	<u>184</u>	<u>140</u>

The accrued pension of the highest paid director as at 31 December 2012 amounted to £40,513 (2011 £36,506). All directors are members of the Group's defined benefit pension scheme.

	2012 No.	2011 No.
<b>Average number of persons employed</b>		
Production	441	472
Administration	121	167
	<u>562</u>	<u>639</u>

# Birse Civils Limited

## Notes to the financial statements Year ended 31 December 2012

### 2. Information regarding directors and employees (continued)

	2012 £'000	2011 £'000
<b>Staff costs during the year (including directors)</b>		
Wages and salaries	23,426	27,245
Social security costs	2,897	3,232
Defined contribution pension costs	2,396	3,005
Share-based payments (note 6)	16	19
	<u>28,735</u>	<u>33,501</u>

The defined benefit pension contributions are disclosed in note 16

Of the 562 employees employed by the Company in the year, 68 (2011: 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:

	2012 No.	2011 No.
<b>Average number of persons employed</b>		
Production	411	439
Administration	83	128
	<u>494</u>	<u>567</u>
	<b>£'000</b>	<b>£'000</b>
<b>Staff costs during the year (including directors)</b>		
Wages and salaries	21,333	24,864
Social security costs	2,705	3,021
Defined contribution pension costs	2,292	2,873
Share-based payments (note 6)	16	19
	<u>26,346</u>	<u>30,777</u>

### 3. Operating loss

	2012 £'000	2011 £'000
<b>Operating loss is after charging:</b>		
Depreciation		
- on assets held under finance leases and hire purchase contracts	-	13
- owned assets	18	61
Operating lease rentals -		
- land and buildings	632	632
- plant and machinery	2,521	2,593
Fees payable to the company's auditor for the audit of the company's financial statements	60	60
	<u></u>	<u></u>

# Birse Civils Limited

## Notes to the financial statements Year ended 31 December 2012

### 4. Net interest payable

	2012 £'000	2011 £'000
Other interest payable	(13)	(32)
Pension scheme interest (note 16)	445	67
	<u>432</u>	<u>35</u>

### 5. Tax on (Loss)/profit on ordinary activities

	2012 £'000	2011 £'000
<b>Corporation tax</b>		
Corporation tax	-	(2,396)
Adjustments in respect of prior years	40	(85)
	<u>40</u>	<u>(2,481)</u>
<b>Deferred tax</b>		
Pension scheme	948	1,913
Deferred tax on share based payments	(1)	3
Timing differences, origination and reversal	(2,186)	37
Effect of rate change	181	52
Adjustments in respect of prior years	(60)	107
Capital allowances in excess of depreciation	(4)	18
	<u>(1,082)</u>	<u>(351)</u>
Tax credit on (loss)/profit for the year	<u>(1,082)</u>	<u>(351)</u>

#### Factors affecting tax charge for the year

The tax assessed for the year differs to the average rate of corporation tax of 24.5% (2011 26.5%). The differences are explained below

	2012 £'000	2011 £'000
Loss on ordinary activities before tax	<u>(7,241)</u>	<u>(1,916)</u>
Expected tax charge	(1,774)	(507)
Tax loss utilised	2,683	-
Expenses not deductible for tax purposes	34	82
Capital allowances in excess of depreciation	4	(55)
Adjustments in respect of prior years	40	(85)
Statutory deduction on share options	1	(3)
Movement on FRS 17 pension deficit	(948)	(1,913)
	<u>40</u>	<u>(2,481)</u>
Current tax credit on (loss)/profit on ordinary activities	<u>40</u>	<u>(2,481)</u>

The Finance Act 2012 was substantively enacted on 19 July 2012 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 2012

### 6. 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 £16,000 in 2012 (2011 £19,000)

#### 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 2012, 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

	<b>SAYE options number (adjusted) 2012</b>	<b>Weighted average Exercise Price Pence (adjusted) 2012</b>	<b>SAYE options number (adjusted) 2011</b>	<b>Weighted average Exercise Price Pence (adjusted) 2011</b>
Outstanding at start of the year	133,630	271	198,137	280
Granted during the year	-	-	-	-
Transferred during the year	1,490	390	(6,167)	312
Forfeited during the year	(19,716)	274	(41,882)	290
Exercised during the year	(11,992)	249	(2,397)	271
Expired during the year	(24,264)	327	(14,061)	319
Outstanding at the end of the year	<u>79,148</u>	<u>258</u>	<u>133,630</u>	<u>271</u>
Exercisable at the end of the year	<u>8,792</u>	<u>320</u>	<u>2,013</u>	<u>315</u>

The weighted average share price at the date of exercise for those SAYE options exercised during the year by all participants was 298 2p (2011 309 6p). Those SAYE options granted to employees of the Company which were outstanding at 31 December 2012 had a weighted average remaining contractual life of 1.5 years (2011 2.1 years).

# Birse Civils Limited

## Notes to the financial statements Year ended 31 December 2012

### 7 Fixed assets

	<b>Fixtures &amp; fittings £'000</b>
<b>Cost</b>	
At 1 January 2012	963
Additions	-
	<u>963</u>
At 31 December 2012	<u>963</u>
<b>Depreciation</b>	
At 1 January 2012	580
Charge for the year	18
	<u>598</u>
At 31 December 2012	<u>598</u>
<b>Net book value</b>	
At 31 December 2012	<u>365</u>
At 31 December 2011	<u>383</u>

Included within fixed assets are assets held under finance lease with a net book value of £nil (2011 £nil)

### 8. Debtors

	<b>2012 £'000</b>	<b>2011 £'000</b>
Trade debtors	24,956	21,789
Trade debtors due after more than one year	3,867	3,775
Amounts recoverable on contracts	15,152	10,389
Amounts owed by parent company and fellow subsidiary undertakings	12,208	7,897
Prepayments and accrued income	2,015	1,748
Corporation tax receivable	-	2,396
Deferred tax (note 11)	2,708	637
	<u>60,906</u>	<u>48,631</u>

### 9. Creditors: amounts falling due within one year

	<b>2012 £'000</b>	<b>2011 £'000</b>
Trade creditors	40,207	44,805
Advance payments	8,320	3,704
Amounts owed to parent company and fellow subsidiary undertakings	28,624	17,972
Accruals and deferred income	2,743	2,483
Other taxation and social security	2,901	4,598
	<u>82,795</u>	<u>73,562</u>

# Birse Civils Limited

## Notes to the financial statements Year ended 31 December 2012

### 10. Creditors: amounts falling due after more than one year

	2012 £'000	2011 £'000
Trade creditors (all due between 1 and 2 years)	1,853	1,978

### 11. Deferred taxation

	Provided 2012 £'000	2011 £'000
Depreciation in excess of capital allowances	187	138
Losses not utilised	2,517	496
Share based payments	4	3
	2,708	637

The deferred tax assets recognised (note 8) 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 2012	637
Credited to the Profit and loss account	2,071
At 31 December 2012	2,708

There is an unprovided deferred tax asset at year end of £457,248

### 12. Called up share capital

	2012 £'000	2011 £'000
<b>Called up, allotted and fully paid</b>		
5,000,000 Ordinary shares of £1 each	5,000	5,000

### 13. Movements on reserves

	Other reserves £'000	Profit and loss account £'000
Balance at 1 January 2012	127	(5,442)
Loss for the year	-	(6,159)
Actuarial gains and losses on retirement benefit obligations	-	(7,416)
Tax on items taken directly to equity	-	1,615
Movements relating to share-based payments (note 6)	16	-
	143	(17,402)

# Birse Civils Limited

## Notes to the financial statements Year ended 31 December 2012

### 14. Financial commitments

#### Operating lease commitments

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

	<b>Land and Buildings</b>	
	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
Leases which expire		
Within one year	-	47
Between two and five years	488	581
After five years	-	-

### 15. 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.

### 16. Pension scheme

Certain employees of the Company are members of the Balfour Beatty Pension Fund ("BBPF") which includes defined benefit and defined contribution sections. 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 Balfour Beatty Group ("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, resulting in a reduction in liabilities and a consequential past service cost credit for the Company of £1.4m. The offer closed in February 2012 resulting in an additional £Nil reduction to the pension liability and a consequential net past service cost credit for the Company of £Nil in 2012.

In the year ended 31 December 2012, the Group reassessed the difference between the RPI and CPI measures of price inflation from 0.90% to 0.70%. The reduction was applied following further consideration of proposals made by the ONS to change the method to calculate RPI and independent advice received from the Group's actuaries. This change in assumptions gave rise to a £0.79m actuarial increase in liabilities to the Company which was charged to equity in the statement of total recognised gains and losses.

## Birse Civils Limited

### Notes to the financial statements Year ended 31 December 2012

#### 16. Pension scheme (continued)

The investment strategy of the BBPF is to hold assets of appropriate liquidity 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.

Defined benefit 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 bonds. 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 assets, liabilities, income and expenditure relating to the defined benefit section of the BBPF are allocated to each of the participating companies with active members in the scheme in proportion to pensionable payroll for the year, except for balances relating to the Parsons Brinckerhoff ('PB') section of the BBPF which are allocated to the PB participating companies on the basis of scheme membership.

The disclosures shown below reflect the Company's proportion of the total BBPF. Defined contribution section 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 principal actuarial assumptions for the FRS17 accounting valuations of Balfour Beatty Pension Fund is as follows:

	<b>Balfour Beatty Pension Fund 2012 %</b>	<b>Balfour Beatty Pension Fund 2011 %</b>
Discount rate on obligations	4.40	4.85
Expected return on plan assets	5.10	5.20
Inflation rate – RPI	2.90	2.95
Inflation rate – CPI	2.20	2.05
Future increases in pensionable salary	2.20	4.45
Rate of increase in pensions in payment (or such other rate as is guaranteed)	2.80	2.85

The BBPF 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 (48,250 members at 31 December 2012) 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. This research is taken into account in the mortality assumptions.

# Birse Civils Limited

## Notes to the financial statements Year ended 31 December 2012

### 16. Pension scheme (continued)

The mortality assumptions as at 31 December 2012 have been updated to reflect the experience of Balfour Beatty pensioners for the period 1 April 1997 to 31 March 2012. The mortality tables adopted for the 2012 and 2011 FRS 17 valuations are the SAPS tables with a multiplier of 90% (2011 94%) for males and 103% (2011 103%) for females and an improvement rate of 1.6% pa from 2004 to 2013 (2011 1.5% pa from 2003 to 2010), plus future improvements from 2013 (2011 2010) in line with the CMI core projection model applicable to each member's year of birth with a long-term rate of 1.25% pa for males and 1.00% pa for females (2011 1.5% pa for both males and females). The change in assumptions gave rise to a £1.7m actuarial reduction in liabilities to the Company which was credited to equity in the statement of total recognised gains and losses.

	<b>2012</b> <b>Average life</b> <b>expectancy at</b> <b>65 years of</b> <b>age</b>	<b>2011</b> <b>Average life</b> <b>expectancy</b> <b>at 65 years</b> <b>of age</b>
Members in receipt of pension		
– Male	21.9 years	22.0 years
– Female	24.4 years	24.6 years
Members not yet in receipt of pension (current age 50)		
– Male	23.2 years	23.8 years
– Female	25.6 years	26.5 years

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

	<b>Balfour</b> <b>Beatty</b> <b>Pension</b> <b>Fund</b> <b>2012</b> <b>£'000</b>	<b>Balfour</b> <b>Beatty</b> <b>Pension</b> <b>Fund</b> <b>2011</b> <b>£'000</b>
Current service cost	(2,874)	(3,123)
Expected return on plan assets	9,555	9,265
Interest cost	(9,110)	(9,198)
Total charged to profit and loss account	<u>(2,429)</u>	<u>(3,056)</u>

Of the charge for the year, £6.7 m (2011 £6.1 m) has been included in operating profit and £9.1 m (2011 £9.2m) has been included in other net finance charges.

# Birse Civils Limited

## Notes to the financial statements Year ended 31 December 2012

### 16 Pension scheme (continued)

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

	<b>Balfour Beatty Pension Fund 2012 £'000</b>	<b>Balfour Beatty Pension Fund 2011 £'000</b>
Actuarial gains/(losses) on pension scheme obligations	(15,082)	(14,601)
Actuarial gains/(losses) on pension scheme assets	7,666	20,048
Total actuarial gains recognised in the statement of total recognised gains and losses	(7,416)	5,447
Cumulative gains/(losses) recognised in reserves	(12,383)	(4,967)

The actual return on plan assets was a gain of £17,220,000 (2011 £29,313,000)

The amounts recognised in the balance sheet are as follows

	<b>Balfour Beatty Pension Fund 2012 £'000</b>	<b>Balfour Beatty Pension Fund 2011 £'000</b>
Present value of funded obligations	(210,543)	(192,332)
Fair value of plan assets	199,514	184,850
Pension fund liability	(11,029)	(7,482)
Related deferred tax asset	2,537	1,870
Net pension ( liability)	(8,492)	(5,612)

The movement in the present value of obligations is as follows

	<b>Balfour Beatty Pension Fund 2012 £'000</b>	<b>Balfour Beatty Pension Fund 2011 £'000</b>
At 1 January	(192,332)	(173,535)
Service cost	(2,874)	(3,123)
Interest cost	(9,110)	(9,198)
Actuarial (losses)/gains	(15,082)	(14,601)
Contributions from members	(19)	(19)
Benefits paid	8,874	8,144
At 31 December	(210,543)	(192,332)

\*Includes an actuarial loss of £ 0.8m from reassessing the difference between RPI and CPI (2011 actuarial gain of £1.8m and an actuarial gain of £1.8m from a change in mortality assumptions (2011 nil))

# Birse Civils Limited

## Notes to the financial statements Year ended 31 December 2012

### 16. Pension scheme (continued)

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

	<b>Balfour Beatty Pension Fund 2012 £'000</b>	<b>Balfour Beatty Pension Fund 2011 £'000</b>
At 1 January	184,850	153,387
Expected return on plan assets	9,555	9,265
Actuarial gains/(losses)	7,666	20,048
Contributions from employer - regular funding	1,951	3,167
Contributions from employer - deficit funding	4,347	7,108
Contributions from members	19	19
Benefits paid	(8,874)	(8,144)
At 31 December	<u>199,514</u>	<u>184,850</u>

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

<b>Balfour Beatty Pension Fund</b>	<b>Expected rate of return 2012 %</b>	<b>Value 2012 £'000</b>	<b>Expected rate of return 2011 %</b>	<b>Value 2011 £'000</b>
Equities	7.31	40,030	7.3	30,428
Bonds				
- index linked gilts	2.40	21,820	2.75	25,701
- fixed rate gilts	3.20	31,204	3.05	32,627
- corporate and other bonds	3.90	45,860	4.8	40,973
- emerging market debt	4.30	7,678		
Funds of hedge funds	6.70	24,553	6.9	16,246
	3.28	28,369		
Cash and other net assets			2.55	38,875
Total		<u>199,514</u>		<u>184,850</u>

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:

- Return seeking assets and property - the long-term rates of return on these assets are derived from current risk-free rates of return with the addition of an appropriate future risk premium from an analysis of historic returns, current market conditions and forward looking views from market participants
- 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 - the rate adopted reflects current short-term returns on cash deposits

The assets of the scheme do not include any direct holdings of financial instruments, property occupied by, or other assets of the Company or Balfour Beatty Group

# Birse Civils Limited

## Notes to the financial statements Year ended 31 December 2012

### 16. Pension scheme (continued)

The estimated amounts of contributions expected to be paid to the BBPF during 2013 are as follows

	<b>Balfour Beatty Pension Fund 2012 £'000</b>
Regular funding	1,951
Deficit funding	4,347
Total	<u>6,298</u>

The five-year history of experience adjustments is as follows

	<b>2012 £'000</b>	<b>2011 £'000</b>	<b>2010 £'000</b>	<b>2009 £'000</b>	<b>2008 £'000</b>
Present value of defined benefit obligations	(210,543)	(192,332)	(173,535)	(182,423)	(148,985)
Fair value of scheme assets	199,514	184,850	153,387	149,966	132,406
Surplus / (deficit) in the scheme	(11,029)	(7,482)	(20,148)	(32,457)	(16,579)
Experience adjustments on scheme liabilities Amount (£)	(5,060)	(2,363)	72,260	(877)	(877)
Percentage of scheme liabilities (%)	2%	1.23%	(41.87%)	0.48%	0.58%
Experience adjustments on scheme assets	7,666	20,048	(10,815)	11,500	(31,156)
Percentage of scheme assets (%)	4%	10.85%	7.05%	7.68%	(23.53%)

The estimated amounts of contributions expected to be paid to the principal defined benefit schemes during 2013 are as follows

	<b>Balfour Beatty Pension Fund 2012 £'000</b>
Regular funding	1,951
Deficit funding	4,347
Total	<u>6,298</u>

## Birse Civils Limited

### Notes to the financial statements Year ended 31 December 2012

#### 16. Pension scheme (continued)

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

	2012 £'000	2011 £'000
Defined benefit obligations at end of year	(210,543)	(192,332)
Fair value of assets at end of year	<u>199,514</u>	<u>184,850</u>
Funded status at end of year	<u>(11,029)</u>	<u>(7,482)</u>

#### Funding valuations

The last formal funding valuation is as detailed below

	Balfour Beatty Pension Fund £'m
Last formal funding valuation	31 March 2010
<b>Scheme deficit</b>	
Market value of assets	2,070
Present value of scheme liabilities	<u>(2,445)</u>
Deficit in defined benefit scheme	<u>(375)</u>
Funding level	<u>84.6%</u>

#### 17. 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

#### 18. 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.