

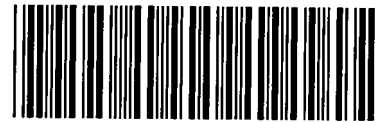
**Company Registration No. 637008**

**Birse Civils Limited**

**Report and Financial Statements**

**Year ended 31 December 2013**

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# **Birse Civils Limited**

## **Report and Financial Statements 2013**

### **Contents**

<b>Officers and professional advisers</b>	<b>1</b>
<b>Directors' report</b>	<b>2</b>
<b>Strategic report</b>	<b>4</b>
<b>Directors' responsibilities statement</b>	<b>6</b>
<b>Independent auditor's report</b>	<b>6</b>
<b>Profit and loss account</b>	<b>9</b>
<b>Statement of total recognised gains and losses</b>	<b>9</b>
<b>Balance sheet</b>	<b>10</b>
<b>Reconciliation of movements in shareholders' deficit</b>	<b>11</b>
<b>Notes to the financial statements</b>	<b>12</b>

# **Birse Civils Limited**

## **Report and Financial Statements 2013**

### **Officers and Professional Advisers**

#### **Directors**

M Farrah  
N Patterson  
B Kingwell  
D Donaldson  
B Dew  
M Easton

#### **Secretary**

Gregory Mutch

#### **Registered office**

130 Wilton Road  
London  
SW1V 1LQ

#### **Bankers**

RBS  
Aldgate Union  
10 Whitechapel High Street  
London  
E1 8DX

#### **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 2013.

Birse Civils Limited (the Company) is a subsidiary of Balfour Beatty plc (the Parent Company), a public limited company registered in England and Wales and listed on the London Stock Exchange.

The results for the year are set out in the profit and loss account on page 9

### **Directors**

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

W Aitchison (appointed 26/02/13) (resigned 30/05/2014)

N Patterson (appointed 26/02/13)

B Kingwell (appointed 26/02/13)

D Donaldson (appointed 21/05/13)

B Dew (appointed 30/08/13)

M Easton

M Farrah

M J Peasland (resigned 31/12/13)

A Scott (resigned 30/08/13)

S Waite (resigned 01/07/13)

R Walker (resigned 24/05/13)

S Kennedy (resigned 21/05/13)

H Macaulay (resigned 21/05/13)

J Walsh (resigned 28/10/13)

### **Dividend**

The directors do not recommend payment of a final dividend (2012: £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.

### **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 2013 represent 37 creditor days (2012: 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.

# Birse Civils Limited

## Directors' Report (continued)

### Auditor


Each of the persons who are 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



B Dew  
30 October 2014

# Birse Civils Limited

## Strategic Report

The Directors presents the Strategic report of Birse Civils Limited (the Company) for the year ended 31 December 2013.

### Principal activities

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.

### Business review

The results of the Company are as follows:

	Year ended 31 December 2013	Year ended 31 December 2012
	£'000	£'000
Loss for the financial year	(584)	(6,159)

As shown in the profit and loss account on page 9 the loss before tax for the year ended 31 December 2013, the key performance indicator for the business, has decreased in comparison to the prior year mainly due to the practical completion of some large loss making jobs in 2012 compared to 2013. In 2013 turnover was down on the previous year from £198m in 2012 to £144m in 2013 which represents a 27% decrease. The exit of the Birse brand as a trading name was largely completed in 2013, with the business now trading as Balfour Beatty. The business now trades through the Balfour Beatty Delivery Unit structure. The traffic management business was largely exited during the year.

The balance sheet on page 10 of the financial statements shows the Company's financial position at the end of the financial year. The net liabilities have increased from £12,259k to £17,154k due to the transfer of the defined benefit pension scheme and the corresponding increase in the intercompany payable balance.

At 31 December 2013 the company had cash at bank and in hand of £18.3m (2012: £19.6m) and net current liabilities of £17.1m (2012: (£3.8m)).

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
- Full integration into Balfour Beatty

As the business is progressively integrated into Balfour Beatty the business KPI's are being merged with those of the wider Balfour Beatty Group, and not monitored and reported separately.

### Principal Risks and 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.

# Birse Civils Limited

## Strategic Report (continued)

### Risk Management

Effective risk management underpins the delivery of the Company's objectives... It is essential to protecting the Company's reputation and generating sustainable shareholder value. The Company's approach to risk management is to identify key risks at an early stage and develop actions to eliminate or mitigate their impact and likelihood to an acceptable level.

Risk management processes are embedded throughout the Company at all levels and form an integral part of day-to-day business activity. They help management to identify and understand the risks they face in delivering business objectives and the status of the key controls in place for managing those risks.

Our risk management policy requires that all divisions and those business units within them identify and assess the risks to which they are exposed and which could impact their ability to deliver their, and the Company's, objectives.

Identified risk events, their causes and possible consequences are recorded in risk registers. Their likelihood and potential business impact and the control systems that are in place to manage them are analysed and, if required, additional actions are developed and put in place to mitigate or eliminate unwanted exposures. Individuals are allocated responsibility for evaluating and managing these risks to an agreed timescale.

Risk registers and relevant action plans are regularly reviewed, at various levels throughout the business, to identify emerging risks, remove expired risks and update mitigation plans.

### Principal risks

The principal significant risks and uncertainties facing the Company are set out in the Parent Company's Annual Report and Accounts 2013, as well as measures taken to mitigate these risks.

### 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. Whilst future trading performance and the availability of external borrowings within the group is inherently subject to uncertainty the directors have a reasonable and proper expectation that the company will continue to have adequate resources and that intercompany funds will continue to be available for foreseeable future. Having received written assurances of support from fellow group companies and assessed the ability of these companies to provide this support, the directors have a reasonable and proper expectation that funds will be made available from the ultimate parent to enable the company to continue to satisfy liabilities as and when they fall due. Accordingly, the going concern basis has been adopted in these financial statements.

### Future developments and subsequent events

The Company has no significant future developments to report.

By order of the Board



B Dew

Director

30 October 2014

# **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 2013 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Reconciliation of Movements in Shareholders' 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 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 company's affairs as at 31 December 2013 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 and Strategic 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 2014

31 October 2014

# Birse Civils Limited

## Profit and loss account

Year ended 31 December 2013

	Note	2013 £'000	2012 £'000
Turnover – continuing operations	1	144,111	198,278
Cost of sales		(137,384)	(196,176)
<b>Gross profit</b>		<b>6,727</b>	<b>2,102</b>
Recurring Administrative expenses		(6,944)	(9,775)
Exceptional Administrative expenses		(1,055)	-
<b>Total Administrative expenses</b>		<b>(7,999)</b>	<b>(9,755)</b>
<b>Operating Loss - continuing operations</b>	<b>3</b>	<b>(1,272)</b>	<b>(7,673)</b>
Net interest receivable	4	67	432
<b>Loss ordinary activities before taxation</b>		<b>(1,205)</b>	<b>(7,241)</b>
Tax on loss on ordinary activities	5	621	1,082
<b>Loss for the financial year</b>	<b>13</b>	<b>(584)</b>	<b>(6,159)</b>

The above results derive from continuing operations

## Statement of total recognised gains and losses

Year ended 31 December 2013

		2013 £'000	2012 £'000
Loss for the financial year		(584)	(6,159)
Actuarial losses on pension liabilities	16	(1,915)	(7,416)
Tax on items in relation to the defined benefit pension scheme equity		(2,396)	1,615
<b>Total recognised gains and losses for the year</b>		<b>(4,895)</b>	<b>(11,960)</b>

# Birse Civils Limited

## Balance sheet 31 December 2013

	Note	2013 £'000	2012 £'000
<b>Fixed assets</b>			
Tangible assets	7	365	365
<b>Current assets</b>			
Debtors	8	54,469	57,039
Debtors due after more than one year	8	4,314	3,867
Cash at bank and in hand		18,326	19,610
		<u>77,109</u>	<u>80,516</u>
Creditors: amounts falling due within one year	9	(93,093)	(82,795)
<b>Net current liabilities</b>		<u>(15,984)</u>	<u>(2,279)</u>
<b>Total assets less current liabilities</b>		<u>(15,619)</u>	<u>(1,914)</u>
Creditors: Amounts falling due after more than one year	10	(1,535)	(1,853)
<b>Net liabilities excluding pension liability</b>		<u>(17,154)</u>	<u>(3,767)</u>
Pension liability	16	-	(8,492)
<b>Net liabilities including pension liability</b>		<u>(17,154)</u>	<u>(12,259)</u>
<b>Share capital and reserves</b>			
Called up share capital	12	5,000	5,000
Other reserves	6,13	143	143
Profit and loss account	13	(22,297)	(17,402)
<b>Shareholders' deficit</b>		<u>(17,154)</u>	<u>(12,259)</u>

The financial statements of Birse Civils Limited (company registration number 637008) were approved by the Board of Directors on ~~30 October~~ 2014.

Signed on behalf of the Board of Directors



B Dew  
Director

## **Birse Civils Limited**

### **Reconciliation of movements in shareholders' deficit Year ended 31 December 2013**

	<b>2013</b> <b>£'000</b>	<b>2012</b> <b>£'000</b>
Loss for the financial year	(584)	(6,159)
Actuarial losses on pension liability	(1,915)	(7,416)
Tax on items in equity	(2,396)	1,615
Movement in other reserve (note 6)	-	16
	<hr/>	<hr/>
<b>Net reduction in shareholders' deficit</b>	<b>(4,895)</b>	<b>(11,944)</b>
Opening shareholders' deficit	(12,259)	(315)
	<hr/>	<hr/>
<b>Closing shareholders' deficit</b>	<b>(17,154)</b>	<b>(12,259)</b>

# **Birse Civils Limited**

## **Notes to the financial statements Year ended 31 December 2013**

### **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. Whilst future trading performance and the availability of external borrowings within the group is inherently subject to uncertainty the directors have a reasonable and proper expectation that the company will continue to have adequate resources and that intercompany funds will continue to be available for foreseeable future. Having received written assurances of support from fellow group companies and assessed the ability of these companies to provide this support, the directors have a reasonable and proper expectation that funds will be made available from the ultimate parent to enable the company to continue to satisfy liabilities as and when they fall due. Accordingly, the going concern basis has been adopted in these financial statements.

#### **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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The freehold property is held at a revalued amount and is shown at the current value at the balance sheet date.

#### **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 retirement benefit schemes, the cost of providing benefits recognised in the profit and loss account and the pension liability at the balance sheet date are determined by independent actuaries using the projected credit method. The liability recognised in the balance sheet comprises the present value of the pension liability, determined by discounting the estimated future cash flows using market yield on a high-quality corporate bond, less the fair value of the plan assets. Actuarial gains and losses are recognised in full in the period in which they occur outside the profit and loss account 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.

# Birse Civils Limited

## Notes to the financial statements Year ended 31 December 2013

### 1. Accounting policies (continued)

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.

#### 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 and is wholly within the United Kingdom excluding value added tax and therefore no further segmental analysis is required.

### 2. Information regarding directors and employees

	2013 £'000	2012 £'000
<b>Directors' emoluments</b>		
Remuneration	-	308
Pension contributions	-	41
	<u>-</u>	<u>349</u>
<b>Highest paid director</b>		
Remuneration	-	164
Pension contributions	-	20
	<u>-</u>	<u>184</u>

The accrued pension of the highest paid director as at 31 December 2013 amounted to £0 (2012: £40,513). This is due to the staff and directors being transferred to BBGEL on 1 February 2013. All directors were members of the Group's defined benefit pension scheme until the closure of the scheme for future accrual on 31 August 2013 thereafter these directors' accrued benefits under money purchase schemes.

	2013 No.	2012 No.
<b>Average number of persons employed</b>		
Production	32	441
Administration	9	121
	<u>41</u>	<u>562</u>

# Birse Civils Limited

## Notes to the financial statements Year ended 31 December 2013

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

	2013 £'000	2012 £'000
<b>Staff costs during the year (including directors)</b>		
Wages and salaries	2,090	23,426
Social security costs	147	2,897
Defined contribution pension costs	188	2,396
Share-based payments	-	16
	<u>2,425</u>	<u>28,735</u>

The defined benefit pension contributions are disclosed in note 16.

On 1 February 2013, employees of the Company were transferred to Balfour Beatty Group Employment Limited which has been established as the employing entity for the Balfour Beatty Group's UK businesses. Employment costs are recorded in Balfour Beatty Group Employment Limited's financial statements from 1 February 2013. Balfour Beatty Group Employment Limited has assigned these employees to the Company in return for a management fee. Of the 41 employees employed by the Company in the year, 4 (2012: 68) 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:

	2013 No.	2012 No.
<b>Average number of persons employed</b>		
Production	29	411
Administration	8	83
	<u>37</u>	<u>494</u>
	<b>£'000</b>	<b>£'000</b>
<b>Staff costs during the year (including directors)</b>		
Wages and salaries	1,959	21,333
Social security costs	137	2,705
Defined contribution pension costs	185	2,292
Share-based payments	-	16
	<u>2,281</u>	<u>26,346</u>

### 3. Operating loss

	2013 £'000	2012 £'000
<b>Operating loss is after charging:</b>		
Depreciation		
- on assets held under finance leases and hire purchase contracts	-	-
- owned assets	-	18
Operating lease rentals:-		
- land and buildings	-	632
- plant and machinery	2,373	2,521
Fees payable to the company's auditor for the audit of the company's financial statements	<u>60</u>	<u>60</u>

The audit fees were borne by another group entity.



# Birse Civils Limited

## Notes to the financial statements Year ended 31 December 2013

### 4. Net interest receivable

	2013 £'000	2012 £'000
Other interest payable	(17)	(13)
Pension scheme interest (note 16)	84	445
	<u>67</u>	<u>432</u>

### 5. Tax on Loss on ordinary activities

	2013 £'000	2012 £'000
<b>Corporation tax</b>		
Corporation tax	(436)	-
Adjustments in respect of prior years	(2,901)	40
	<u>(3,337)</u>	<u>40</u>
<b>Deferred tax</b>		
Pension scheme	143	948
Deferred tax on share based payments	-	(1)
Timing differences, origination and reversal	47	(2,186)
Effect of rate change	20	181
Adjustments in respect of prior years	2,506	(60)
Capital Allowances in excess of depreciation	-	(4)
	<u>(621)</u>	<u>(1,082)</u>

#### Factors affecting tax charge for the year

The tax assessed for the year differs to the average rate of corporation tax of 23.25% (2012: 24.5%). The differences are explained below:

	2013 £'000	2012 £'000
Loss on ordinary activities before tax	<u>(1,205)</u>	<u>(7,241)</u>
Expected tax charge	(280)	(1,774)
Tax loss utilised	0	2,683
Expenses not deductible for tax purposes	34	34
Capital allowances in excess of depreciation	0	4
Other short term timing differences	(47)	0
Adjustments in respect of prior years	(2,901)	40
Statutory deduction on share options	-	1
Movement on FRS 17 pension deficit	(143)	(948)
	<u>(3,337)</u>	<u>40</u>

The Finance Act 2013 was enacted on 17 July 2013 implementing a reduction in the main UK corporation tax rate from 24% to 23% effective from 1 April 2013 with a further reduction of 2% to 21% from 1<sup>st</sup> April 2014 and to 20% from 1<sup>st</sup> April 2015. As a result of the change deferred tax balances at the year end have been remeasured. This gives rise to a deferred tax charge of £20k this year.

# Birse Civils Limited

## Notes to the financial statements Year ended 31 December 2013

### 6. 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 on a straight-line basis 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. On 1 February 2013 employees and their share options outstanding were transferred to BBGEL, which has been established as the employing entity for the Balfour Beatty Group's UK businesses.

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

	SAYE options number (adjusted) 2013	Weighted average Exercise Price Pence (adjusted) 2013	SAYE options number (adjusted) 2012	Weighted average Exercise Price Pence (adjusted) 2012
Outstanding at start of the year	79,148	258	133,630	271
Transferred during the year	(79,148)	(258)	1,490	390
Forfeited during the year	-	-	(19,716)	274
Exercised during the year	-	-	(11,992)	249
Expired during the year	-	-	(24,264)	327
Outstanding at the end of the year	-	-	79,148	258
Exercisable at the end of the year	-	-	8,792	320

# Birse Civils Limited

## Notes to the financial statements Year ended 31 December 2013

### 7. Fixed assets

	Freehold Property	Fixtures and Fittings	Total £'000
<b>Cost</b>			
At 1 January 2013	365	598	963
Disposals	-	(542)	(542)
At 31 December 2013	365	56	421
<b>Depreciation</b>			
At 1 January 2013	-	598	598
Disposals	-	(542)	(542)
At 31 December 2013	-	56	56
<b>Net book value</b>			
At 31 December 2013	365	-	365
At 31 December 2012	365	-	365

Included within fixed assets are assets held under finance lease with a net book value of £nil (2012: £nil).

### 8. Debtors

	2013 £'000	2012 £'000
Trade debtors	29,243	24,956
Trade debtors due after more than one year	4,314	3,867
Amounts recoverable on contracts	11,250	15,152
Amounts owed by parent company and fellow subsidiary undertakings	10,257	12,208
Prepayments and accrued income	281	2,015
Corporation tax	3,305	-
Deferred tax (note 11)	132	2,708
	54,478	57,039
Amounts falling due after more than one year:		
Trade debtors	4,314	3,867
	58,782	60,906

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

	2013 £'000	2012 £'000
Trade creditors	37,032	40,207
Advance payments	5,940	8,320
Amounts owed to parent company and fellow subsidiary undertakings	44,123	28,624
Accruals and deferred income	1,216	2,743
Other taxation and social security	4,782	2,901
	93,093	82,795

# Birse Civils Limited

## Notes to the financial statements Year ended 31 December 2013

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

	2013 £'000	2012 £'000
Trade creditors (all due between 1 and 2 years)	1,535	1,853

### 11. Deferred taxation

	Provided 2013 £'000	2012 £'000
Depreciation in excess of capital allowances	132	187
Losses not utilised	-	2,517
Share based payments	-	4
	132	2,708

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 2013	2,708
Charged to the Profit and loss account	(2,576)
At 31 December 2013	132

There is unprovided deferred tax at the year end of £398,000 (2012: Nil).

### 12. Called up share capital

	2013 £'000	2012 £'000
Called up, allotted and fully paid 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 2013	143	(17,402)
Loss for the year	-	(584)
Actuarial losses on pension liabilities	-	(1,915)
Tax on items taken directly to equity	-	(2,396)
Movements relating to share-based payments (note 6)	-	-
	143	(22,297)

# Birse Civils Limited

## Notes to the financial statements Year ended 31 December 2013

### 14. 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	
	2013	2012
	£'000	£'000
Leases which expire:		
Within one year	94	-
Between two and five years	565	488
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.

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 Balfour Beatty Group (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 obligations and enhance the resilience of the funding level of the scheme. The performance of the assets is measured against market indices.

During the year ended 31 December 2012, 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 inflation increases in return for a higher pension than their current entitlement, resulting in a £nil reduction to the pension liability and a consequential net past service cost credit of £nil.

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 Office for National Statistics (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 £790k actuarial increase in liabilities to the Company which was charged to equity in the statement of total recognised gains and losses.

In January 2013 the market RPI expectation increased by 0.30% following an announcement by the ONS that there would be no material change in the calculation of RPI. As a result of this announcement and following independent advice received from the Group's actuaries, the Group reassessed the difference between RPI and CPI measures of price inflation from 0.7% to 1.0% in 2013 reducing the pension liability by £1,985k which was recognised in the statement of total recognised gains and losses.

# Birse Civils Limited

## Notes to the financial statements Year ended 31 December 2013

### 16. Pension scheme (continued)

Defined benefit pension scheme liabilities 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.

On 1 February 2013, the employees of the Company were transferred to Balfour Beatty Group Employment Limited (BBGEL), which has been established as the employing entity for the Group's UK businesses. As a result, the Company ceased to be a participating employer in the BBPF and the net pension deficit allocated to it was transferred to BBGEL for consideration equivalent to book value, resulting in a nil gain or loss on settlement.

#### Allocation of the Balfour Beatty Pension Fund

The policy of the 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 section of the BBPF which are allocated to the Parsons Brinckerhoff participating companies on the basis of scheme membership. From 1 February 2013 this allocation is charged to BBGEL which in turn charges a management fee to the Company.

The disclosures shown below reflect the Company's proportion of the total BBPF for the period ended 31 January 2013 and the full year ended 31 December 2012. 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 the BBPF

	Balfour Beatty Pension Fund 2013 %	Balfour Beatty Pension Fund 2012 %
Discount rate on obligations	-	4.40
<u>Expected return on plan Assets</u>	-	5.10
Inflation rate – RPI	-	2.90
Inflation rate – CPI	-	2.20
<u>Future increases in pensionable salary</u>		
certain members that have a protected right to a defined benefit membership	-	2.20
other members	-	4.40
Rate of increase in pensions in payment (or such other rate as is guaranteed)	-	2.80

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 (49,455 members at 31 December 2013) 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.

The mortality assumptions as at 31 December 2012 were 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 valuations are the SAPS tables with a multiplier of 90% for male and 103% for females and an improvement rate of 1.6% pa from 2004 to 2013, plus future improvements from 2013 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. The change in assumptions gave rise to a £1,778k actuarial reduction in liabilities to the Company which was credited to equity in the statement of total recognised gains and losses.

# Birse Civils Limited

## Notes to the financial statements Year ended 31 December 2013

### 16. Pension scheme (continued)

	2013 Average life expectancy at 65 years of age	2012 Average life expectancy at 65 years of age
Members in receipt of pension		
– Male	-	21.9 years
– Female	-	24.4 years
Members not yet in receipt of pension (current age 50)		
– Male	-	23.2 years
– Female	-	25.6 years

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

	Balfour Beatty Pension Fund 2013 £'000	Balfour Beatty Pension Fund 2012 £'000
Current service cost	(192)	(2,874)
Expected return on plan assets	843	9,555
Interest cost	(759)	(9,110)
Total credit to profit and loss account	(108)	(2,429)

Of the charge for the year, the current year service charge of £192k (2012: £2,874k) and a credit of £84k (2012 £445k) has been included in net interest payable.

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

	Balfour Beatty Pension Fund 2013 £'000	Balfour Beatty Pension Fund 2012 £'000
Actuarial gains/(losses) on pension scheme liabilities	(6,716)	(15,082)
Actuarial gains/(losses) on pension scheme assets	4,801	7,666
Total actuarial gains/(losses) recognised in the statement of total recognised gains and losses	(1,915)	(7,416)
Cumulative gains/(losses) recognised in reserves	(14,298)	(12,383)

The actual return on plan assets was a gain of £5,644k (2012: £17,220k).

# Birse Civils Limited

## Notes to the financial statements Year ended 31 December 2013

### 16. Pension scheme (continued)

The amounts recognised in the balance sheet are as follows:

	<b>Balfour Beatty Pension Fund 2013 £'000</b>	<b>Balfour Beatty Pension Fund 2012 £'000</b>
Present value of funded liabilities	-	(210,543)
Fair value of plan assets	-	199,514
Pension fund liability	-	(11,029)
Related deferred tax asset	-	2,537
Net pension ( liability)	-	(8,492)

The movement in the present value of liabilities is as follows:

	<b>Balfour Beatty Pension Fund 2013 £'000</b>	<b>Balfour Beatty Pension Fund 2012 £'000</b>
At 1 January	(210,543)	(192,332)
Service cost	(192)	(2,874)
Interest cost	(759)	(9,110)
Actuarial (losses)/gains*	(6,716)	(15,082)
Contributions from members	(1)	(19)
Benefits paid	750	8,874
Transfer to BBGEL	(217,461)	0
At 31 December	-	(210,543)



# Birse Civils Limited

## Notes to the financial statements Year ended 31 December 2013

### 16. Pension scheme (continued)

The Movement in the fair value of plan assets:

	Balfour Beatty Pension Fund 2013 £'000	Balfour Beatty Pension Fund 2012 £'000
At 1 January	199,514	184,850
Expected return on plan assets	843	9,555
Actuarial gains/(losses)	4,801	7,666
Contributions from employer - regular funding	151	1,951
Contributions from employer - deficit funding	574	4,347
Contributions from members	1	19
Benefits paid	(750)	(8,874)
Transfer to BBGEL	(205,134)	-
At 31 December	-	199,514

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 2013 %	Value 2013 £'000	Expected rate of return 2012 %	Value 2012 £'000
Equities	0.00		7.31	40,030
Bonds				
- index linked gilts	0.00	0	2.40	21,820
- fixed rate gilts	0.00	0	3.20	31,204
- corporate and other bonds	0.00	0	3.90	45,860
	0.00	0	4.30	7,678
Funds of hedge funds	0.00	0	6.70	24,553
	0.00	0	3.28	28,369
Cash and other net assets				
Total		0		199,514

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

# Birse Civils Limited

## Notes to the financial statements Year ended 31 December 2013

### 16. Pension scheme (continued)

Year end historical information for the Company's share of the BBPF post retirement defined benefit scheme:

	2013 £	2012 £	2011 £	2010 £	2009 £
Defined benefit obligation at end of year	0	(210,543)	(192,332)	(173,535)	(182,423)
Fair value of assets at end of year	0	199,514	184,850	153,387	149,966
Funded status at end of year	0	(11,029)	(7,482)	(20,148)	(32,457)
Experience adjustments for liabilities	6,716	(5,060)	(2,363)	72,260	(877)
Experience adjustments for scheme assets	4,801	7,666	20,048	(10,815)	11,500

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

	2013 £'000	2012 £'000
Defined benefit obligations at end of year	-	(210,543)
Fair value of assets at end of year	-	199,514
Funded status at end of year	-	(11,029)

### 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.