

# **Dar Al-Handasah Consultants (Shair & Partners) (UK) Limited**

## **Report and Financial Statements**

31 December 2013



**Directors**

S Srinivasan (resigned 26/04/2013)

P J Speight

B Rihani

F E El-Khoury

**Auditors**

Ernst & Young LLP

1 More London Place

London SE1 2AF

**Bankers**

Arab Bank PLC

73 Brook Street

London W1K 4HX

**Registered Office**

74 Wigmore Street

London W1U 1QU

## Strategic Report

The directors present their Strategic report, the Directors' report and the financial statements for the year ended 31 December 2013

### Results and dividends

The profit for the year after taxation amounted to £1,819,681 (2012 – £1,873,115). The directors do not recommend a final dividend (2012 – £nil).

### Principal activities and review of the business

The company operates as a service company providing specialised professional services in connection with engineering, urban development, town and regional planning and economic studies to other Dar Group companies who serve clients in the emerging market territories of the Middle East, Africa and Asia. The future activities and workload of the company, therefore, depends entirely on work fed through the Dar Group from other group companies who market the group's services and contract directly with the client for the services provided by the company.

Turnover for the year was £11,395,131 (2012 – £10,318,666). The directors expect a similar level of activity in for the forthcoming year.

Dar Al-Handasah Consultants (Shair & Partners) Holdings Limited, the ultimate parent undertaking, manages its Key Performance Indicators (KPIs) at a segment and geographical level. As a result the directors have taken the decision not to disclose KPIs in the company's financial statements as they are not necessary to understand the performance or position of the business of the company.

The directors are confident that the current contracted backlog and business development activities and strategies of its fellow group undertakings, operating in the emerging markets in which the company is experienced and specialises, are sufficient to sustain the on-going operation of the company.

### Principal risks and uncertainties

The principal risks and uncertainties for the company are its ability to attract and retain quality employees and perform work on contracts in accordance with the requirements of its clients. The company focuses strongly on retaining its employees. To ensure quality delivery of projects, the group monitors progress on a regular basis and invests in technical and personal training and development of its employees, with regular reviews of each individual's training requirements.

The company's main financial instruments include receivables and payables from and to other group companies, other debtors, prepayments, and trade payables. The company is exposed to credit risk in relation to its debtors including from other Dar Group companies. Management monitors the intercompany balances periodically.

Registered No. 1209014

## Directors' report

The directors present their report for the year ended 31 December 2013.

### Directors

The directors who served the company during the year and up to the date of this report were as follows:

S Srinivasan (resigned 26/04/2013)

P J Speight

B Rihani

F E El-Khoury

### Dividends

The directors do not recommend a final dividend (2012 – £nil).

### Going concern

The parent undertaking has confirmed its support to provide adequate funds to meet the company's liabilities as they fall due in the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

### Future developments

The Directors of the company expect a similar level of activity in future years, as the demand for professional services by other Dar Group companies is expected to remain at a consistent level.

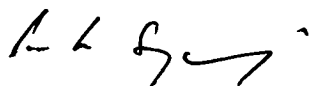
### Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

### Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

On behalf of the Board



Peter J Speight

Director

21 November 2014

## Statement of directors' responsibilities

The directors are responsible for preparing the Strategic report, the directors' 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 estimates that are reasonable and prudent; 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.

# **Independent auditors' report**

## **to the members of Dar Al-Handasah Consultants (Shair & Partners) (UK) Limited**

We have audited the financial statements of Dar Al-Handasah Consultants (Shair & Partners) (UK) 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 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 set out on page 4, 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 Directors' 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 the 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 profit 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 Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

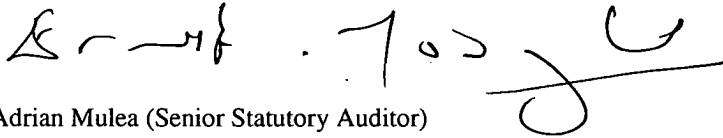
## **Independent auditors' report**

**to the members of Dar Al-Handasah Consultants (Shair & Partners) (UK) Limited**

### **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.

A handwritten signature in black ink, appearing to read 'Adrian Mulea', followed by a horizontal line and a large, stylized flourish.

Adrian Mulea (Senior Statutory Auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
London

21 November 2014

## Profit and loss account

for the year ended 31 December 2013

	Notes	2013 £	2012 £
<b>Turnover</b>	2	11,395,131	10,318,666
Cost of sales		<u>(9,069,779)</u>	<u>(7,478,759)</u>
<b>Operating profit</b>		<u>2,325,352</u>	<u>2,839,907</u>
Interest receivable and similar income	6	584,000	551,000
Interest payable and similar charges	7	<u>(462,000)</u>	<u>(436,000)</u>
		<u>122,000</u>	<u>115,000</u>
<b>Profit on ordinary activities before taxation</b>		<u>2,447,352</u>	<u>2,954,907</u>
Tax	8	<u>(627,671)</u>	<u>(1,081,792)</u>
<b>Profit for the financial year</b>	13	<u><u>1,819,681</u></u>	<u><u>1,873,115</u></u>

All amounts relate to continuing activities.

## Statement of total recognised gains and losses

for the year ended 31 December 2013

	Notes	2013 £	2012 £
<b>Profit for the financial year</b>		1,819,681	1,873,115
Actuarial loss on defined benefit pension scheme	14	(1,686,000)	(2,848,000)
Actuarial gain on defined benefit pension scheme – tax credit	13	<u>391,995</u>	<u>697,760</u>
<b>Total recognised (losses)/gains relating to the financial year</b>		<u><u>525,676</u></u>	<u><u>(277,125)</u></u>

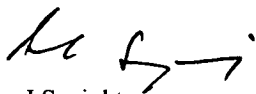


## Balance sheet

at 31 December 2013

	Notes	2013 £	2012 £
<b>Fixed assets</b>			
Tangible assets	9	1,414,493	1,480,424
<b>Current assets</b>			
Debtors	10	27,040,535	25,162,127
Cash at bank and in hand		1,604,108	2,070,973
		28,644,643	27,233,100
<b>Creditors: amounts falling due within one year</b>	11	(24,890,014)	(24,005,878)
<b>Net current assets</b>		3,754,629	3,227,222
<b>Total assets less current liabilities</b>		5,169,122	4,707,646
<b>Net pension asset</b>	14	480,000	415,800
<b>Net assets</b>		5,649,122	5,123,446
<b>Capital and reserves</b>			
Called up share capital	12	250,000	250,000
Profit and loss account	13	5,399,122	4,873,446
<b>Equity shareholders' funds</b>	13	5,649,122	5,123,446

On behalf of the Board



Peter J Speight

Director

21 November 2014

## Notes to the financial statements

at 31 December 2013

### 1. Accounting policies

#### ***Basis of preparation***

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

#### ***Statement of cash flows***

The company is exempt from the requirement of FRS 1 (Revised) to present a statement of cash flows as it is a wholly-owned subsidiary of Dar Al-Handasah Consultants (Shair & Partners) Holdings Limited, which prepares a group statement of cash flows which includes the company and is publicly available.

#### ***Turnover***

Turnover is stated net of VAT and comprises the value of services billed in the normal course of business. Income from the parent represents costs recharged to the parent undertaking at an agreed mark-up. Income from the fellow subsidiary undertaking is the recharge of expenses, and is shown gross in the income statement.

#### ***Tangible fixed assets***

Tangible fixed assets are stated at original historical cost, less accumulated depreciation.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, of each asset on a straight-line basis over its expected useful life, as follows:

Leasehold improvements	– 15% per annum
Fixtures, fittings and equipment	– 20% per annum

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

#### ***Deferred taxation***

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exception:

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

#### ***Foreign currencies***

Transactions in foreign currencies are recorded at the rate of exchange at the date of transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward-contract rate. All exchange differences are recognised in the profit and loss account.

#### ***Operating leases***

Rentals payable under operating leases are charged in the profit and loss account on a straight-line basis over the lease term, having accounted for the effect of lease incentives. Lease incentives are recognised over the shorter of the lease term and the date of the next rent review.

## Notes to the financial statements

at 31 December 2013

### 1. Accounting policies (continued)

#### *Pensions*

The company operates a defined benefit pension scheme, which requires contributions to be made to a separately administered fund. The UK scheme was closed to new members in July 2001, from which time membership of a defined contribution plan became available.

The cost of providing benefits under the defined benefit scheme is determined using the projected unit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligations) and is based on actuarial advice.

Past service costs are recognised in profit or loss on a straight-line basis over the vesting period or immediately if the benefits have vested. When a settlement or a curtailment occurs the charge in the present value of the scheme liabilities and the fair value of the plan assets reflects the gain or loss which is recognised in the profit and loss account. Losses are measured at the date that the employer becomes demonstrably committed to the transaction and gains when all parties whose consent is required are irrevocably committed to the transaction.

The interest element of the defined benefit cost represents the change in present value of scheme obligations relating from the passage of time, and is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account material changes in the obligation during the year. The expected return on plan assets is based on an assessment made at the beginning of the year of long-term market returns on scheme assets, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the year. The difference between the expected return on plan assets and the interest costs is recognised in the income statement as interest income or expense. Actuarial gains and losses are recognised in full in the statement of recognised gains and losses in the period in which they occur.

The defined benefit pension asset or liability in the balance sheet comprises the total of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds that have been rated at AA or equivalent status), less any past service cost not yet recognised and less the fair-value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published mid-market price. The value of a net pension benefit asset is limited to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme.

Contributions to defined contribution schemes are recognised in the income statement in the period in which they become payable.

### 2. Turnover

The company provides engineering consultancy services to its ultimate parent undertaking and a fellow subsidiary undertaking (note 17). Turnover relates to services provided in the UK.

	2013	2012
	£	£
Revenue – from ultimate parent undertaking	10,052,729	10,318,666
Revenue – from fellow subsidiary undertaking	1,342,412	-

## Notes to the financial statements

at 31 December 2013

### 3. Operating profit

This is stated after charging

	2013 £	2012 £
Auditors' remuneration – audit of the company's financial statements	18,450	18,000
– non-audit services (taxation)	11,010	13,700
Depreciation of owned fixed assets	460,323	506,143
Operating lease rentals – land and buildings	725,069	832,556
– other	141,474	80,280
	<u>1,456,326</u>	<u>1,430,689</u>

The company incurs certain operating lease rentals which are recharged to other group companies. The amount recharged during the year was £nil (2012 – £90,148).

### 4. Directors' remuneration

	2013 £	2012 £
Remuneration	154,231	151,859
Pension contributions	36,409	31,433
	<u>190,640</u>	<u>183,292</u>

1 of the directors (2012: 1) was a member of the defined benefit pension scheme during the year.

The employee costs in respect of the highest paid director are as follows:

	2013	2012
Aggregate Remuneration	144,231	119,365
Aggregate Pension contributions at end of the year	36,409	31,433
Aggregate Lump sum at end of the year	-	-
	<u>180,640</u>	<u>150,798</u>

### 5. Staff costs

	2013 £	2012 £
Wages and salaries	3,966,629	3,087,367
Social security costs	416,774	365,157
Other pension costs	249,991	183,198
	<u>4,633,394</u>	<u>3,635,722</u>

## Notes to the financial statements

at 31 December 2013

### 5. Staff costs (continued)

The average monthly number of employees during the year was made up as follows:

	2013 No.	2012 No.
Engineering consultants	64	57
Administration	8	6
	<u>72</u>	<u>63</u>

### 6. Interest receivable and similar income

	2013 £	2012 £
Expected return on pension scheme assets	584,000	551,000
	<u>584,000</u>	<u>551,000</u>

### 7. Interest payable and similar charges

	2013 £	2012 £
Interest payable on pension scheme liabilities	462,000	436,000

### 8. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2013 £	2012 £
<b>Current tax:</b>		
UK corporation tax on the profit for the year	628,966	802,522
Group relief payable	3,129	7,771
Adjustment in respect of prior years	(17,280)	278,074
Total current tax (note 8(b))	<u>614,815</u>	<u>1,088,367</u>
Deferred tax (note 8(c))	<u>12,856</u>	<u>(6,575)</u>
Tax on profit on ordinary activities	<u>627,671</u>	<u>1,081,792</u>

## Notes to the financial statements

at 31 December 2013

### 8. Tax (continued)

(b) Factors affecting the current tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 23.25% (2012 – 24.5%). The differences are explained below:

	2013 £	2012 £
Profit on ordinary activities before tax	<u>2,447,352</u>	<u>2,954,907</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.25% (2012 – 24.5%)	569,010	723,952
<i>Effects of:</i>		
Expenses not deductible for tax purposes	88,563	91,484
Capital allowances in advance of depreciation	(11,528)	(5,142)
Adjustments in respect of previous years	(17,280)	278,074
Pension cost relief in excess of pension cost charge	(13,950)	-
Current tax charge for the year (note 8(a))	<u>614,815</u>	<u>1,088,367</u>

(c) Deferred tax

	2013 £	2012 £
Included in debtors (note 10)	6,723	23,780
Included in defined benefit pension liability (note 14)	<u>(120,000)</u>	<u>(124,200)</u>
	<u>(113,277)</u>	<u>(100,420)</u>
		£
At 1 January 2013		(100,420)
Deferred tax charge in statement of recognised gains and losses		-
Deferred tax charge in profit and loss account (note 8(a))		<u>(12,857)</u>
At 31 December 2013		<u>(113,277)</u>

(d) Factors that may affect future tax charges

The Finance Act 2013 enacted reductions in the main rate of UK corporation tax from 23% to 21% from 1 April 2014 and from 21% to 20% from 1 April 2015. The effect on the company of the further reductions in the UK main rate of corporation tax will be reflected in the company's financial statements in the relevant future years.

The corporation tax charge for the period includes the effect of payments for group tax losses transferred from other group companies, calculated at the prevailing rate of tax.

## Notes to the financial statements

at 31 December 2013

### 9. Tangible fixed assets

	<i>Leasehold improvements</i>	<i>Fixtures, fittings and equipment</i>	<i>Total</i>
	£	£	£
<b>Cost:</b>			
At 1 January 2013	2,289,714	933,133	3,222,847
Additions	238,425	155,964	394,394
Disposals	-	(97,621)	(97,621)
At 31 December 2013	2,528,109	991,477	3,519,620
<b>Depreciation:</b>			
At 1 January 2013	1,242,064	500,359	1,742,423
Provided during the year	266,375	193,948	460,323
Disposals	-	(97,621)	(97,621)
At 31 December 2013	1,508,439	596,684	2,217,970
<b>Net book value:</b>			
At 31 December 2013	1,019,700	394,793	1,414,493
At 1 January 2013	1,047,650	432,774	1,480,424

### 10. Debtors

	<i>2013</i>	<i>2012</i>
	£	£
Amounts owed by other group undertakings	26,317,465	24,744,703
Other debtors	42,409	15,429
Prepayments	467,076	48,378
VAT recoverable	206,862	329,837
Corporation tax debtor	-	-
Deferred tax asset	6,723	23,780
	<u>27,040,535</u>	<u>25,162,127</u>

#### **Transactions with employees**

Included within other debtors is an amount of £17,800 (2012 – £4,225), which represents advances due from 8 employees (2012 – 3 employees) of the company.

## Notes to the financial statements

at 31 December 2013

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

	2013 £	2013 £
Bank overdraft	–	168,917
Amounts owed to other group undertakings	23,250,451	22,600,422
Other taxes and social security costs	239,744	219,709
Other creditors and accruals	378,662	277,417
Rent free liability	547,736	373,947
Corporate tax creditor	473,421	365,466
	<u>24,890,014</u>	<u>24,005,878</u>

### 12. Issued share capital

		2013 £		2012 £
<i>Allotted, called up and fully paid</i>	<i>No.</i>		<i>No.</i>	
Ordinary shares of £1 each	250,000	<u>250,000</u>	250,000	<u>250,000</u>

### 13. Reconciliation of equity shareholders' funds and movements on reserves

	Share capital £	Profit and loss account £	Total equity share- holders' funds £
At 1 January 2012	250,000	5,150,571	5,400,571
Profit for the year	–	1,873,115	1,873,115
Actuarial loss on defined benefit pension scheme	–	(2,848,000)	(2,848,000)
Tax on actuarial loss	–	697,760	697,760
At 1 January 2013	250,000	4,873,446	5,123,446
Profit for the year	–	1,819,681	1,819,681
Actuarial loss on defined benefit pension scheme	–	(1,686,000)	(1,686,000)
Tax on actuarial loss	–	391,995	391,995
At 31 December 2013	<u>250,000</u>	<u>5,399,122</u>	<u>5,649,122</u>



## Notes to the financial statements

at 31 December 2013

### 14. Pensions

#### *Defined Contribution Scheme*

The total cost charged in relation to defined contribution schemes amounted to £249,991 (2012 -£183,198) representing contributions payable to the schemes by the company.

#### *Defined Benefit Scheme*

The group provides pension arrangements to all full-time employees of Dar Al-Handasah Consultants (Shair & Partners) (UK) Limited, over the age of 25 years and with more than six months' service, through a defined benefit scheme and the related costs are assessed in accordance with the advice of professional qualified actuaries.

A full accountancy valuation was carried out at 31 December 2012 and updated to 31 December 2013 by a qualified actuary, independent of the scheme's sponsoring employer. Details of the most recent actuarial valuation of the scheme, which was conducted as at 31 December 2012 using the Projected Unit Method, are as follows:

Main assumptions (% pa):

Rate of increase in salaries	–	4.4%
Rate of increase in pensions in payment	–	3.5%
Return on scheme investments	–	7.5%

Results:

Actuarial value of scheme's assets	–	£8,529,000
Funding level	–	103%

The scheme was closed to new entrants in July 2001 and under the Projected Unit Method the current service cost will increase as the members of the scheme approach retirement.

#### *Defined Benefit Scheme*

The actuarial valuation described above has been updated at 31 December 2013 by a qualified actuary using revised assumptions that are consistent with the requirements of FRS 17. Investments have been valued, for this purpose, at fair value.

*The main assumptions used were:*

	2013	2012	2011
	%	%	%
Inflation rate	3.5	2.9	3.1
Salary increases	5.0	4.4	4.6
Increase to pensions in payment and deferred pensions*	3.8	3.2	3.6
Discount rate	4.4	4.1	4.7

\*The increase to pensions disclosed above is the post-1997 pension. Pension increase assumption used for each tranche of benefits is:

Pre-1988 GMP	– 3.0%
Post-1988 GMP	– 3.0%
Pre-1997 excess pension	– 3.0%
Post-1997 pension	– 3.8%

## Notes to the financial statements

at 31 December 2013

### 14. Pensions (continued)

#### Defined Benefit Scheme

	2013 %	2012 %	2011 %
<b>Expected long-term rate of return on scheme assets:</b>			
Equities/group pension contract	7.6	6.7	6.9
Fixed interest bonds	3.6	2.7	2.5
Index linked bonds	3.6	2.7	2.4
Other net assets	–	–	4.7
Cash	0.6	0.6	0.6

**The fair value of the assets in the scheme and the present value of the liability in the scheme at the balance sheet date were:**

	2013 £	2012 £	2011 £	2010 £	2009 £
<b>Market value of scheme assets:</b>					
Equities	9,104,000	6,936,000	5,449,310	5,471,000	5,201,350
Bonds	7,379,000	7,066,000	5,316,400	4,239,000	3,715,250
Cash and other net assets	39,000,000	42,000	2,525,290	2,867,000	1,698,400
Total market value of assets	16,522,000	14,044,000	13,291,000	12,397,000	10,615,000
Present value of scheme liabilities	(11,198,000)	(11,578,000)	(10,910,000)	(10,472,000)	(9,833,000)
Surplus in the plans	5,324,000	2,466,000	2,381,000	1,925,000	782,000
Surplus restricted due to asset limit	(4,724,000)	(1,926,000)	(1,223,000)	(998,000)	–
Pension asset	600,000	540,000	1,158,000	927,000	782,000
Related deferred tax liability	(120,000)	(124,200)	(289,500)	(250,290)	(218,960)
Net pension asset	480,000	415,800	868,500	676,710	563,040

The fair value of the defined benefit pension scheme at 31 December 2014 has been calculated based on the actuarial assumptions outlined above. With respect to pension increases in payment and deferment, the actuary has assumed inflation based on the Retail Price Index (RPI), which is the inflation rate used by the company. Interpretation of the scheme rules may result in a different inflation rate to be applied to the pension increases. If this alternative interpretation is correct, there may be an additional liability of approximately £700,000 in respect of pension increases. The scheme rules are currently being reviewed in this regard by the Trustee and the Company and their respective legal advisors.

If an additional liability exists, this would reduce the total pension surplus by £700,000 to £4,624,000. However, the directors have calculated that there would be no impact on net pension surplus in the 31 December 2013 financial statements because in accordance with FRS14, the surplus restriction requirements (based on a calculation of future benefits less future employee contributions) would still limit the surplus recognised to £600,000.

In any event, the company has received written confirmation from its ultimate parent undertaking Dar Al-Handasah Consultants (Shair & Partners) Holdings Limited that any additional liability arising from this issue will be indemnified in full.

## Notes to the financial statements

at 31 December 2013

### 14. Pensions (continued)

#### *Defined Benefit Scheme*

*An analysis of the defined benefit cost for the year ended 31 December 2013 is as follows:*

	2013	2012	2011
	£	£	£
Current service cost	62,000	115,000	148,000
Total operating charge	62,000	115,000	148,000
Interest on pension scheme liabilities	(462,000)	(436,000)	(551,000)
Expected return on pension scheme assets	584,000	551,000	690,000
Total other finance income	122,000	115,000	139,000

*Analysis of movements in surplus during the year:*

	2013	2012	2011
	£	£	£
At 1 January	540,000	1,158,000	927,000
Total operating charge	(62,000)	(115,000)	(148,000)
Total other finance income	122,000	115,000	139,000
Actuarial losses	(1,686,000)	(2,848,000)	(771,000)
Contributions	1,686,000	2,230,000	1,011,000
At 31 December	600,000	540,000	1,158,000

*The movement in the fair value of the scheme assets is as follows:*

	2013	2012
	£	£
At 1 January	14,044,000	13,291,000
Expected return	584,000	570,000
Cash contributions – Employer	1,686,000	2,230,000
Contributions from plan members	5,000	5,000
Benefits/charges paid	(707,000)	(385,000)
Exclusion of insured pensioners	-	(1,531,000)
Actuarial loss recognised in statement of total recognised gains and losses	910,000	(136,000)
At 31 December	16,522,000	14,044,000

## Notes to the financial statements

at 31 December 2013

### 14. Pensions (continued)

*The movement on scheme liabilities are as follows:*

	2013 £	2012 £
At 1 January	11,578,000	10,910,000
Current service cost	62,000	115,000
Benefits/charges paid	(707,000)	(385,000)
Contributions from plan members	5,000	5,000
Finance charges	462,000	436,000
Exclusion of insured pensioners	-	(1,531,000)
Actuarial loss recognised in statement of total recognised gains and losses	(202,000)	2,028,000
At 31 December	<u>11,198,000</u>	<u>11,578,000</u>

*History of experience gains and losses:*

	2013 £	2012 £	2011 £	2010 £	2009 £
<b><i>Difference between expected return and actual return on pension scheme assets:</i></b>					
Amount	910,000	(136,000)	(110,000)	233,000	776,000
% of scheme assets	5.5%	1.0%	(0.8%)	2.0%	7.0%
<b><i>Experience gains/(losses) arising on scheme liabilities:</i></b>					
Amount	37,000	(1,636,000)	224,000	-	81,000
% of the present value of scheme liabilities	0.3%	14.1%	2.0%	-	1.0%
<b><i>Total actuarial loss recognised in the statement of total recognised gains and losses:</i></b>					
Amount	1,686,000	2,848,000	771,000	822,000	470,000
% of the present value of scheme liabilities	15%	24.6%	7.1%	7.8%	5.0%

Over the year to 31 December 2013, contributions by the company of £1,686,000 were made to the plan (2012: £2,230,000).

The employer currently pays contributions at the rate of 45.2% of members' pensionable salaries in respect of future benefit accrual plus £9,167 per month in respect of standard administration and investment management expenses. In addition, the employer pays £124,667 per month until 31 July 2014 in respect of the funding shortfall. Member contributions are payable in addition at the rate of 2.5% of pensionable salary.

## Notes to the financial statements

at 31 December 2013

### 15. Other financial commitments

At 31 December 2013 the company had annual commitments under non-cancellable operating leases as set out below:

	2013		2012	
	<i>Land and buildings</i>	<i>Other</i>	<i>Land and buildings</i>	<i>Other</i>
	£	£	£	£
Operating leases which expire:				
Within one year	-	-	-	65,535
In two to five years	885,000	149,757	885,000	56,596
	<u>885,000</u>	<u>149,757</u>	<u>885,000</u>	<u>122,131</u>

### 16. Related party transactions

The company has taken advantage of the exemption in FRS 8 not to disclose transactions with other members of the group headed by Dar Al-Handasah Consultants (Shair & Partners) Holdings Limited.

### 17. Ultimate parent undertaking and controlling party

The ultimate parent undertaking and controlling party is Dar Al-Handasah Consultants (Shair & Partners) Holdings Limited, a company registered in Dubai – UAE.

Dar Al-Handasah Consultants (Shair & Partners) Holdings Limited is the parent undertaking of the largest and smallest group of which the company is a member and for which group financial statements are drawn up. The group financial statements of the above company are available to the public and may be obtained from the registered office of the company which is Office 2401, Level, Index Tower, 312 Street, DIFC, PO Box 506855, Dubai - UAE.

### 18. Contingent liabilities

A claim against the company and a fellow subsidiary undertaking in Malaysia relating to works previously performed has resulted in a judgement of damages against the company and the subsidiary undertaking. The total amount of the judgement is approximately US\$10m. On 20 May 2013, the company filed a Notice of Appeal and the company and its fellow subsidiary undertaking are currently waiting for the grounds of judgment.

The registrar in the court of appeal in Malaysia has fixed a date of 19 December 2014 for the appeal hearing. Management believe it is more likely than not that the original judgment will be overturned at the appeal hearing when it takes place.

In any event, the company has received written confirmation from its ultimate parent undertaking Dar Al-Handasah Consultants (Shair & Partners) Holdings Limited that the cost of any damages and associated legal expenses will be indemnified in full. Accordingly, no provision in respect of a potential settlement and associated legal expenses has been made in the financial statements.