Company Registration Number 00896821

COWLIN CONSTRUCTION LIMITED

Annual Report and Financial Statements

For the year ended 31 December 2011



COWLIN CONSTRUCTION LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

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COWLIN CONSTRUCTION LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

J Bunker
R Clark
D J Harris
D Knox
A J Parker
J Player
P J Randall
D B Stockham
G Taylor

SECRETARY

G Taylor

REGISTERED OFFICE

Stratton House
Cater Road
Bishopsworth
Bristol
BS13 7UH

BANKERS

HSBC Bank plc
City Office
62 George White Street
Bristol
BS1 3BA

AUDITOR

Deloitte LLP
Glasgow, United Kingdom

DIRECTORS' REPORT

The directors present their annual report on the affairs of the company, together with the financial statements and auditor's report, for the year ended 31 December 2011

PRINCIPAL ACTIVITY

The company's principal activity continues to be building contracting The directors are unaware of any likely major changes to the company's activities in the next year

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The UK construction market in 2011 continued to be a difficult trading environment which has impacted on profitability levels for Cowlin

Turnover has dropped to £108m (2010 £134m) and pre-tax profits to £0 8m (2010 £2 4m) This reflects the conditions facing the regional marketplace The cost base continues to be reviewed to ensure it is as efficient as possible

Training and developing our people remain high priorities and we continue to invest in our employees, ensuring we are able to provide customers with the best quality product and service Our investment in technology continues, as does the leadership training programme for middle and senior managers

In 2011 our safety performance further improved as a result of the concentration on achieving the Balfour Beatty 'Zero Harm by 2012' safety commitment In addition we are making significant progress in all aspects of sustainability in line with the Balfour Beatty 2020 sustainability vision

GOING CONCERN

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts

Further details of the adoption of the going concern basis can be found in the statement of accounting policies in the financial statements

RESULTS

The profit for the period is set out in the profit and loss account on page 7

As explained above, the company's principal activity is building contracting The same service is provided to all markets and key performance indicators are sales, gross profit and overheads, all of which are shown in the financial statements For this reason, the company's directors believe that further key performance indicators for the company are not necessary or appropriate for an understanding of the business

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The company has exposures to a variety of financial risks which are managed with the purpose of minimising any potential adverse effect on the company's performance The Board has policies for managing each of these risks and they are summarised below

Liquidity risk

The company adopts a prudent approach to liquidity management by maintaining sufficient cash and liquid resources to meet its obligations Due to the nature of the projects undertaken, cash flows are reasonably predictable and therefore this is not a major risk area for the company

DIRECTORS' REPORT (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Credit risk

The company's credit risk is primarily attributable to its trade receivables The amounts presented in the balance sheet are net of allowances for doubtful receivables

The company receives the bulk of its revenue from government agencies and blue chip clients and therefore is not exposed to significant credit risk

Interest rate risk

Interest rates are in line with the Bank of England forecast rates The company does not have bank debt and the company's profit and loss account is not significantly sensitive to movements in interest rates

DIVIDEND

The directors of the company do not recommend a dividend (2010 £nil)

DIRECTORS

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

J Bunker
I R Carroll (Resigned 1 July 2011)
R Clark
D J Harris
D Knox
M O'Neill (Resigned 29 April 2011)
A J Parker
J Player
P J Randall
N A Sherreard (Resigned 1 July 2011)
D B Stockham
G Taylor

SUPPLIER PAYMENT POLICY

The company's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and that the company abides by the terms of payment Trade creditors of the company at 31 December 2011 were equivalent to 62 days (2010 54 days) purchases, based on the average daily amount invoiced by suppliers during the year

CHARITABLE DONATIONS

During the year the company made charitable donations of £3,000 (2010 £16,000) principally to local charities serving the communities in which the company operates

EMPLOYEES

The policy is to encourage and assist, where practicable, the recruitment and training of disabled people and the retention of those who become disabled during their employment

The company believes in good communications within the organisation To this end, monthly financial and production meetings are held, which are attended by senior management A news sheet detailing contract progress and prospects is published at intervals and is available to all employees

DIRECTORS' REPORT (continued)

AUDITOR

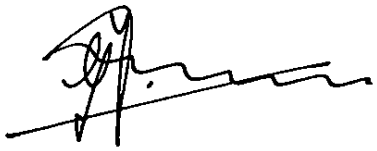
Each of the persons who is a director at the date of approval of this report confirms that

- so far as the directors are aware, there is no relevant audit information of which the company's auditor is unaware, and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves 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



GRAEME TAYLOR
Director

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 judgements 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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COWLIN CONSTRUCTION LIMITED

We have audited the financial statements of Cowlin Construction Limited for the year ended 31 December 2011 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 22 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

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

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

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements
In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Colin Gibson CA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Glasgow, United Kingdom
15 August 2012

PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2011

	Note	2011 £'000	2010 £'000
TURNOVER	2	107,577	134,153
Cost of sales		(102,239)	(125,290)
GROSS PROFIT		5,338	8,863
Administrative expenses		(4,633)	(6,423)
OPERATING PROFIT		705	2,440
Income from fixed asset investments	3	110	-
Interest payable and similar charges	4	(11)	(5)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	804	2,435
Tax on profit on ordinary activities	9	(206)	(708)
PROFIT FOR THE FINANCIAL YEAR	18	598	1,727

All results derive from continuing operations

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 31 December 2011

	2011 £'000	2010 £'000
Profit for the financial year	598	1,727
Actuarial loss relating to the pension scheme (note 20)	(187)	(284)
UK deferred tax attributable to actuarial loss (note 16)	42	77
Total recognised gains and losses relating to the year	453	1,520

COWLIN CONSTRUCTION LIMITED

BALANCE SHEET
At 31 December 2011

	Note	2011		2010	
		£'000	£'000	£'000	£'000
FIXED ASSETS					
Tangible assets	10		113		328
CURRENT ASSETS					
Stocks	12	-		6	
Debtors (including £1,175,000 due after more than one year (2010 £2,173,000))	13	11,546		12,949	
Cash at bank and in hand		35,111		38,214	
		46,657		51,169	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	14	(33,532)		(38,755)	
NET CURRENT ASSETS			13,125		12,414
TOTAL ASSETS LESS CURRENT LIABILITIES			13,238		12,742
CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	15		(3,738)		(3,738)
PENSION FUND DEFICIT	20		(277)		(244)
NET ASSETS			9,223		8,760
CAPITAL AND RESERVES					
Called up share capital	17		600		600
Other reserves	18		38		66
Profit and loss account	18		8,585		8,094
SHAREHOLDERS' FUNDS	18		9,223		8,760

The financial statements of Cowlin Construction Limited, registered number 00896821, were approved by the Board of Directors and authorised for issue on 8th August 2012

Signed on behalf of the Board of Directors

GRAEME TAYLOR
Director

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2011

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below They have all been applied consistently in the current year and the preceding year

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards

Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the business review which forms part of the directors' report

In addition the directors' report includes details of its exposures to credit risk and liquidity risk

The company has considerable financial resources together with long-term contracts with a number of customers and suppliers As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts

Turnover

Turnover is measured as the fair value of the consideration received or receivable for goods and services provided, net of trade discounts, value added and similar sales-based taxes, after eliminating sales within the group Turnover from construction and service activities represents the value of work carried out during the year, including amounts not invoiced

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 profit and loss account 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

Stocks

Stocks are valued at the lower of cost and net realisable value Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for the costs of realisation Provision is made, where necessary, for obsolete, slow-moving and defective stocks

Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made as such

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2011

1. ACCOUNTING POLICIES (continued)

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful life, as follows

Plant and equipment	15% to 25%

Investments

Fixed asset investments are shown at cost less provision for impairment

Taxation

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as 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 not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred tax assets and liabilities are not discounted

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2011

1. ACCOUNTING POLICIES (continued)

Long-term contracts

Amounts recoverable on long-term contracts, which are included in debtors, are stated at the net sales value of the work done less amounts received as progress payments on account Excess progress payments are included in creditors as payments on account Cumulative costs incurred net of amounts transferred to cost of sales, less provision for contingencies and anticipated future losses on contracts, are included as long-term contract balances in stock

When the outcome of individual contracts can be foreseen with reasonable certainty and can be estimated reliably, margin is recognised on long-term contracts by reference to the stage of completion, based on the lower of the percentage margin earned to date and that prudently forecast at completion The stage of completion is normally measured by the proportion of contract costs incurred for work performed to date to the estimated total contract costs or the proportion of the value of work done to the total value of work under the contract, except where these would not be representative of the stage of completion Full provision is made for all known or expected losses on individual contracts immediately once such losses are foreseen Margin in respect of variations in contract work, claims and incentive payments is recognised if it is probable they will result in revenue Gross profit for the year includes the benefit of claims settled on contracts completed in prior years Pre-contract costs are expensed as incurred until it is virtually certain that a contract will be awarded, from which time further pre-contract costs are recognised as an asset and charged as an expense over the period of the contract Amounts recovered in respect of costs that have been written off are deferred and amortised over the life of the contract

Cash flow statement

In accordance with the provisions of FRS1 "Cash Flow Statements" the company has not prepared a cash flow statement because its ultimate parent undertaking, Balfour Beatty plc, prepares consolidated financial statements which include the company and are publicly available

Pensions

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contribution payable in the year Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet

For defined benefit schemes the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments They are included as part of staff costs Past service costs are recognised immediately in the profit and loss account if the benefits have vested If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the company, in separate trustee-administered funds Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities Under the projected unit method the current service cost will increase as the members of the scheme approach retirement The actuarial valuations are obtained at least triennially and are updated at each balance sheet date The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2011

2. TURNOVER

Turnover and profit on ordinary activities before taxation is attributable to the activities of building and specialist contracting, which are based solely in the United Kingdom

3. INVESTMENT INCOME

	2011 £'000	2010 £'000
Income from fixed asset investments	110	-

4. INTEREST

Interest payable and similar charges	2011 £'000	2010 £'000
Other interest	1	3
Finance costs relating to defined benefit pension scheme (note 20)	10	2
	11	5

5 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is arrived at after charging	2011 £'000	2010 £'000
Auditor's remuneration - audit of the accounts for the year	-	19
Depreciation of tangible fixed assets - owned	211	224
Operating leases - plant and machinery	1,257	1,711
Operating leases - land and buildings	138	195
Loss on disposal of tangible fixed assets	1	-

The audit fee of £43,000 for the audit of the company's accounts was borne by Balfour Beatty Construction Scottish & Southern Limited in the current period and was not recharged

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2011

6. DIRECTORS' EMOLUMENTS

	2011 £'000	2010 £'000
Directors' remuneration		
Emoluments	637	948
Contributions paid to the defined contribution pension scheme	123	128
	760	1,076

	No.	No.
Number of directors who		
Are members of the company's defined contribution pension scheme	5	8
Are members of the company's defined benefit pension scheme	-	-

	£'000	£'000
Remuneration of the highest paid director		
Emoluments	134	166
Contributions paid to the defined contribution pension scheme	24	24
	158	190

7. EMPLOYEE INFORMATION

The average number of employees, including executive directors, was

	2011 No.	2010 No.
Production	49	59
Administration	203	242
	252	301

Employment costs of all the employees included above	£'000	£'000
Wages and salaries	10,274	12,015
Redundancy payments	101	143
Employer's national insurance and state pension contributions	1,123	1,303
Employer's contributions under the group pension scheme	670	730
Share-based payments	10	21
	12,178	14,212

There were no pension contributions outstanding at 31 December 2011 (2010 £nil)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2011

8. 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 scheme, the executive share option scheme, the performance share plan and the deferred bonus plan The company recognised total expenses related to equity-settled share-based payment transactions since 7 November 2002 of £10,000 in 2011 (2010 £21,000)

Savings-related share options

Balfour Beatty plc has not granted any savings-related share options ("SAYE") in 2011, but has continued to operate 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

The information in relation to SAYE options granted to employees of the company was

	SAYE options 2011 Number	Weighted average exercise price 2011 Pence	SAYE options 2010 Number	Weighted average exercise price 2010 Pence
Outstanding at 1 January	125,573	275 2	115,466	289 1
Granted during the year	-	-	33,056	236 0
Transferred during the year	(476)	249 0	575	449 9
Forfeited during the year	(46,406)	288 4	(23,100)	294 0
Exercised during the year	(3,235)	299 8	(424)	217 7
Expired during the year	(12,482)	313 9	-	-
Outstanding at 31 December	62,974	256 8	125,573	275 2
Exercisable at 31 December	2,905	315 2	-	-

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2011

8. SHARE-BASED PAYMENTS (continued)

Savings-related share options (continued)

The weighted average share price at the date of exercise for those SAYE options exercised during the year by all participants was 309 6p (2010 251 9p) Those SAYE options granted to employees of the company which were outstanding at 31 December 2011 had a weighted average remaining contractual life of 2 0 years (2010 2 4 years)

The principal assumptions used by the consultants in the stochastic model for the SAYE options granted, including expected volatility determined from the historic weekly share price movements over the three-year period immediately preceding the invitation date, were

Invitation date	Exercise price pence (adjusted)	Closing share price before invitation date pence (adjusted)	Expected dividend yield %	Expected volatility of shares %	Expected term of options years	Risk-free interest rate %	Calculated fair value of an option pence (adjusted)
9 April 2010 3 year savings contract	236 0	292 2	4 35	33 4	3 25	1 91	70 4
9 April 2010 5 year savings contract	236 0	292 2	4 35	33 4	5 25	2 76	78 3
9 April 2009 3 year savings contract	249 0	305 7	3 65	33 0	3 25	2 20	77 7
9 April 2009 5 year savings contract	249 0	305 7	3 65	33 0	5 25	2 73	85 6

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2011

9. TAX ON PROFIT ON ORDINARY ACTIVITIES

(a) The tax charge comprises:	**2011 £'000**	**2010 £'000**
Current tax		
UK corporation tax at 26 5% (2010 28%) based on profits of the period	195	792
Adjustment in respect of prior years	19	(18)
Total current tax	214	774
Deferred tax		
Origination and reversal of timing differences	32	(76)
Capital allowances in excess of depreciation	(37)	-
Deferred tax charge on retirement obligations	40	-
Deferred tax charge on share-based payments	3	-
Rate change adjustment	19	10
Adjustments in respect of prior years	(65)	-
Total deferred tax	(8)	(66)
Total tax on profit on ordinary activities	206	708

(b) Factors affecting tax charge for year

The standard rate of current tax for the period, based on the UK standard rate of corporation tax is 26 5% (2010 28%) The current tax charge for the year differs from 26 5% (2010 28%) for the reasons set out in the following reconciliation

	£'000	**£'000**
Profit on ordinary activities before taxation	804	2,435
	£'000	**£'000**
Tax on profit on ordinary activities at standard rate	213	682
Factors affecting the charge		
Expenses not deductible for tax purposes	20	34
Deferred taxation on pension fund deficit (note 16)	(40)	(49)
Difference between capital allowances and depreciation	37	35
Other short term timing differences	(32)	90
Statutory deduction on exercise of share options	(3)	-
Adjustments in respect of prior years	19	(18)
Tax on profit on ordinary activities	214	774

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2011

9 TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

The company earns its profits primarily in the UK, therefore, the tax rate used for tax on profit on ordinary activities is the standard rate for UK corporation tax, currently 26 5%

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

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

10 TANGIBLE FIXED ASSETS

	Plant and equipment £'000
Cost	
At 1 January 2011	943
Additions	1
Disposals	(26)
At 31 December 2011	918
Depreciation	
At 1 January 2011	615
Charge for the year	211
Disposals	(21)
At 31 December 2011	805
Net book value	
At 31 December 2011	113
At 31 December 2010	328

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2011

11. FIXED ASSET INVESTMENTS

	2011 £'000
Shares in group companies at cost	
At 1 January 2011	292
Disposals	(292)
At 31 December 2011	-
Provisions	
At 1 January 2011	292
Disposals	(292)
At 31 December 2011	-
Net book value	
At 31 December 2010 and at 31 December 2011	-

At the end of the prior year the following investments in subsidiaries were held, Bayford Builders Ltd, Cowlin Developments Ltd, Prattern Construction Ltd, Samuel Wren & Sons Ltd and Stratton Electrical Ltd All of these subsidiaries were dormant as at the prior year end and have been dissolved in the current year

12. STOCKS

	2011 £'000	2010 £'000
Raw materials and consumables	-	6
Long-term contract work in progress	6,756	6,116
	6,756	6,122
Payments on account	(6,756)	(6,116)
	-	6

13. DEBTORS

	2011 £'000	2010 £'000
Trade debtors	9,570	10,063
Amounts recoverable on contracts	186	578
Amounts owed by group undertakings	1,186	1,712
Deferred tax (note 16)	238	189
Other debtors	236	291
Prepayments and accrued income	130	116
	11,546	12,949

Included in trade debtors are retentions of £6,027,000 (2010 £7,025,000) of which £1,122,000 (2010 £2,120,000) is due after more than one year

Included in intercompany balances owed to the company are amounts of £53,000 (2010 £53,000) due after more than one year

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2011

14 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	2011 £'000	2010 £'000
Trade creditors	30,393	33,176
Amounts owed to group undertakings	365	110
Corporation tax	195	792
Other taxation and social security	1,735	3,123
Accruals and deferred income	844	1,554
	33,532	38,755

15 CREDITORS· AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2011 £'000	2010 £'000
Amounts owed to group undertakings	3,738	3,738

Amounts owed to group undertakings are due within five years, do not bear interest and are unsecured

16. DEFERRED TAX

	2011 £'000	2010 £'000
Opening deferred tax asset	280	137
Movement in profit and loss account		
Short-term timing differences and accelerated capital allowances	6	111
Share-based payments	(3)	4
Pension deficit charge	(40)	(49)
Rate change adjustment	(19)	-
Adjustments in respect of prior years	65	-
Movement in statement of total recognised gains and losses		
Pension funds	42	77
Closing deferred tax asset	331	280

Deferred tax asset consists of the following amount

	£'000	£'000
Debtors (note 13)		
Short-term timing differences	175	161
Accelerated capital allowances	61	28
Share-based payments	2	-
Total deferred tax asset recognised in debtors	238	189
Pension scheme deficit (note 20)	93	91
Total deferred tax asset	331	280

The deferred tax asset in respect of the pension deficit of £93,000 (2010 £91,000) is shown netted off the pension scheme liability (see note 20)

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17. CALLED UP SHARE CAPITAL

	2011 £'000	2010 £'000
Allotted, called up and fully paid		
600,000 ordinary shares of £1 each	600	600

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS AND STATEMENT OF MOVEMENTS ON RESERVES

	Share capital £'000	Other reserves £	Profit and loss account £	Total £
At beginning of the year	600	66	8,094	8,760
Profit for the financial year	-	-	598	598
Movements related to share-based payments	-	(28)	38	10
Actuarial loss, net of deferred tax	-	-	(145)	(145)
At end of the year	600	38	8,585	9,223

19. OPERATING LEASES

At 31 December the company had annual commitments under non-cancellable operating leases as follows

	2011 £'000	2010 £'000
Other leases terminating		
- within one year	72	23
- between two and five years	382	457
- after more than five years	-	22
	454	502

20. PENSION SCHEME

The company operates a defined contribution scheme, however, there are some deferred members who are entitled to defined benefits The assets of the scheme are held independently from the company's finances and are administered by trustee companies Pension costs are assessed on the advice of an independent qualified actuary following triennial valuations using the projected unit method

A full actuarial valuation was carried out as at 5 April 2010 A qualified actuary, independent of any participating employers, has adjusted appropriately the data used, for the purposes of calculating the FRS 17 disclosures for the year ended 31 December 2011

20. PENSION SCHEME (continued)

The major assumptions used by the actuary for the FRS 17 valuation were as follows

	2011	2010	2009
Rate of increase in salaries	n/a	n/a	n/a
Expected rate of inflation (Retail Price Index – RPI)	2 75%	3 45%	2 70%
Expected rate of inflation (Consumer Price Index – CPI)	2 00%	n/a	n/a
Rate of increase of Guaranteed Minimum Pensions (GMP) earned before 1 October 1990 (RPI)	n/a	3 45%	2 70%
Rate of increase of Guaranteed Minimum Pensions (GMP) earned after 1 October 1990 (RPI)	n/a	3 45%	2 70%
Rate of increase of Guaranteed Minimum Pensions (GMP) earned before 1 October 1990 (CPI)	2 00%	n/a	n/a
Rate of increase of Guaranteed Minimum Pensions (GMP) earned after 1 October 1990 (CPI)	5 00%	n/a	n/a
Rate of increase to pensions in payment (RPI)	2 75%	3 45%	2 70%
Discount rate	4 60%	5 45%	6 50%

The mortality assumptions adopted at the 31 December 2011, for both pre and post retirement are from SIPXA CMI_2009_X

Fair value of assets and expected rates of return

	At 31 December 2011		At 31 December 2010		At 31 December 2009	
	Expected rate of return %	Fair value £'000	Expected rate of return %	Fair value £'000	Expected rate of return %	Fair value £'000
Managed funds						
Equity	6 00	275	7 00	360	7 45	321
Gilts	2 50	20	4 00	83	4 45	-
Corporate bonds	4 60	98	5 45	133	5 70	93
Cash	3 25	13	4 00	45	4 20	39
Property	4 50	73	6 00	94	6 45	67
		479		715		520

	2011 £'000	2010 £'000	2009 £'000
Total fair value of assets	479	715	520
Present value of scheme liabilities	(849)	(1,050)	(746)
Deficit in the scheme	(370)	(335)	(226)
Related deferred tax asset	93	91	63
Net pension liability	(277)	(244)	(163)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2011

20. PENSION SCHEME (continued)

Analysis of amount charged to finance charges	2011 £'000	2010 £'000
Expected return on pension scheme assets	39	39
Interest on pension scheme liabilities	(49)	(41)
Net finance charge	(10)	(2)

Analysis of amount recognised in statement of total recognised gains and losses	£'000	£'000
Actual return less expected return on pension scheme assets	33	29
Change in inflationary assumption from RPI to CPI	1	-
Changes in assumptions underlying the present value of the scheme liabilities	(86)	(42)
Experience gains and losses arising on scheme's liabilities	(135)	(271)
Actuarial loss recognised in statement of total recognised gains and losses	(187)	(284)

Movements in present value of defined benefit obligations were as follows:	£'000	£'000
At 1 January 2011	1,050	746
Service cost	-	-
Interest cost	49	41
Actuarial gains and losses	52	313
Benefits paid	(302)	(50)
At 31 December 2011	**849**	**1050**

Movements in the fair value of scheme assets were as follows	£'000	£'000
At 1 January 2011	715	520
Expected return on scheme assets	39	39
Actuarial gains and losses	(135)	29
Contributions from the sponsoring companies	162	177
Contributions from scheme members	-	-
Benefits paid	(302)	(50)
At 31 December 2011	**479**	**715**

There was no current service charge for the year (2010 £nil)

The defined benefit liability is based on a valuation of the scheme assets that are not intended to be realised in the short term and which may change significantly, an actuarial valuation of scheme liabilities is based on cash flow projections over very long periods and the valuation is inherently uncertain

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2011

20. PENSION SCHEME (continued)

History of experience gains and losses

	2011	2010	2009	2008	2007
Actual return less expected return on scheme assets (£'000)	33	29	52	(28)	(1)
Percentage of scheme's assets	6 89%	4 06%	10 0%	5 8%	0 2%
Experience losses and gains arising on scheme's liabilities (£'000)	(135)	(271)	122	(48)	(5)
Percentage of the present value of the scheme's liabilities	15 90%	25 80%	16 4%	5 2%	0 8%
Changes in the assumptions underlying the present value of the scheme's liabilities (£'000)	(85)	(42)	(108)	101	(165)
Percentage of the present value of the scheme's liabilities	10 01%	4 00%	11 7%	10 9%	27 8%
Total amount recognised in the STRGL (£'000)	(187)	(284)	66	25	(171)
Percentage of the present value of the scheme's liabilities	22 03%	27 05%	7 2%	2 7%	28 8%

21 RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption in Financial Reporting Standard 8, "Related Party Transactions", not to disclose transactions with other members of the group headed by Balfour Beatty plc

There were no other related party transactions

22. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

In the opinion of the directors the ultimate parent company and controlling party is Balfour Beatty plc, a company registered in England and Wales Copies of its financial statements can be obtained from Companies House, Maindy, Cardiff, CF14 3UZ

The smallest and the largest group of which the company is a member and for which group accounts are prepared is that headed by Balfour Beatty plc