

Company Registration Number 00896821

COWLIN CONSTRUCTION LIMITED

Annual Report and Financial Statements

For the year ended 31 December 2012

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COWLIN CONSTRUCTION LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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COWLIN CONSTRUCTION LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

J Bunker
R Clark
D Knox
A J Parker
D B Stockham
C Shankland

SECRETARY

G Mutch

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

COWLIN CONSTRUCTION LIMITED

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 2012

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 macroeconomic environment and conditions within the construction industry in particular, remained difficult throughout the year. In the face of these challenging circumstances, the strategy of the Company remains unchanged, to form long-term sustainable relationships with its customers, enabling it to fully understand and anticipate their requirements and work in partnership with them to meet those needs. The Company's aim is to provide its customers with solutions that generate real value for them.

As expected, conditions in the year remained challenging within the construction industry and the economy as a whole. Volumes and margins continued to come under pressure from competition and a number of smaller contractors ceased trading.

Turnover has dropped to £82m (2011: £108m) and pre-tax loss to £6.2m (2011: pre-tax profit of £0.8m). 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 2012 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

In reviewing the future prospects of the Company, the Directors have considered the fact that the Company has a strong order book and balance sheet, and holds significant cash balances. As a result, and having made appropriate enquiries and reviewed medium-term cash forecasts, the Directors have a reasonable expectation that the Company has adequate resources to continue for the foreseeable future and, for this reason, have continued to adopt the going concern basis in preparing the accounts.

RESULTS

The profit for the period is set out in the profit and loss account on page 8.

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.

Balance sheet

The Company remains in a strong financial position with good levels of cash available. Shareholder's funds reduced to £4.4m (2011: £9.2m), cash balances remain positive at £18.8m (2011: £35.1m).

COWLIN CONSTRUCTION LIMITED

DIRECTORS' REPORT (continued)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Effective risk management underpins the delivery of the Company's objectives. It is essential to protecting reputation and generating sustainable shareholder value. The Company aims to identify key risks at an early stage and develop actions to eliminate them 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.

Further details of the Company's risk management processes and the roles and responsibilities of management within the Company can be found in the Ultimate Parent Company's annual report and accounts.

The Company risk management process

The Company's risk management policy requires that all divisions and those operating companies 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 reviewed regularly, at various levels throughout the business, to identify emerging risks, remove expired risks and update mitigation plans.

Reporting structures ensure that risks are monitored continually, mitigation plans are reviewed and significant exposures are escalated – from project level to operating company management to senior management.

All divisions and operating companies must have assurance mechanisms to ensure that the internal controls and actions designed to mitigate and eliminate risks are operating effectively. A range of procedures is used to monitor the effectiveness of internal controls, including management assurance, risk management processes and independent assurance provided by internal audit and other specialist third party reviews.

Principal risks

During 2012, the company experienced difficult trading conditions which are likely to continue into 2013. The market experienced reduced private spending, depressed private sector investment in commercial building and delays in government backed projects.

These trends will continue into 2013, and the steps taken in response will increase the importance of effective risk management. As the business is reshaped to deliver the Company's combined capabilities across targeted growth sectors, it is essential that additional risk is not inadvertently imported. It is believed that the established risk management and internal control systems will help to identify such risks and respond in a timely manner.

The business also faces significant risks and uncertainties that are common to many companies – including financial and treasury risks, IT and information security risks, and the management of pension liabilities, which are significant. Controls and systems have been established to manage such risks. The principal risks that could adversely impact the profitability of the Company are set out below. While the risks themselves have not generally changed since last year, the assessment of their likelihood and potential impact has changed and steps have been taken to strengthen, as appropriate, the mitigations in place.

COWLIN CONSTRUCTION LIMITED

DIRECTORS' REPORT (continued)

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.

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 (2011 £nil)

DIRECTORS

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

J Bunker
R Clark
D J Harris (Resigned 20 August 2013)
D Knox
A J Parker
J Player (Resigned 4 June 2013)
P J Randall (Resigned 31 July 2013)
D B Stockham
G Taylor (Resigned 28 September 2012)
C Shankland (Appointed 1 October 2012)

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 2012 were equivalent to 53 days (2011 62 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 £5,000 (2011 £3,000) to both national charities and 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.

COWLIN CONSTRUCTION LIMITED

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

 12/09/13

CHRISTOPHER SHANKLAND
Director

COWLIN CONSTRUCTION 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 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 2012 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 21. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

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

19 September 2013

COWLIN CONSTRUCTION LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2012

	Note	2012 £'000	2011 £'000
TURNOVER	2	82,490	107,577
Cost of sales		(84,270)	(102,239)
GROSS (LOSS)/ PROFIT		(1,780)	5,338
Administrative expenses		(4,085)	(4,633)
Reorganisation and redundancy costs		(330)	-
OPERATING (LOSS)/PROFIT		(6,195)	705
Income from fixed asset investments	3	-	110
Interest payable and similar charges	4	(10)	(11)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	(6,205)	804
Tax on (loss)/profit on ordinary activities	9	1,426	(206)
(LOSS)/PROFIT FOR THE FINANCIAL YEAR	16	(4,779)	598

All results derive from continuing operations

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 December 2012

	2012 £'000	2011 £'000
(Loss)/profit for the financial year	(4,779)	598
Actuarial loss relating to the pension scheme (note 19)	(112)	(187)
UK deferred tax attributable to actuarial loss (note 15)	27	42
UK deferred tax attributable to a rate change (note 15)	(7)	-
Total recognised gains and losses relating to the year	(4,871)	453

COWLIN CONSTRUCTION LIMITED

BALANCE SHEET At 31 December 2012

	Note	2012 £'000	2011 £'000
FIXED ASSETS			
Tangible assets	10	48	113
CURRENT ASSETS			
Debtors (Due within 1 year £10,699k (2011 £10,371k))	11	15,143	11,546
Cash at bank and in hand		18,800	35,111
		33,943	46,657
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	12	(25,639)	(33,532)
NET CURRENT ASSETS		8,304	13,125
TOTAL ASSETS LESS CURRENT LIABILITIES		8,352	13,238
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	13	(3,738)	(3,738)
PENSION FUND DEFICIT	19	(254)	(277)
NET ASSETS		4,360	9,223
CAPITAL AND RESERVES			
Called up share capital	15	600	600
Other reserves	16	25	38
Profit and loss account	16	3,735	8,585
SHAREHOLDERS' FUNDS	16	4,360	9,223

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

Signed on behalf of the Board of Directors

 12/09/13
CHRISTOPHER SHANKLAND
Director

COWLIN CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

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 made a loss in the current year but has considerable financial resources including £18.8m of cash, net assets and net current assets, 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. 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 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.

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.

COWLIN CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS **For the year ended 31 December 2012**

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%
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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.

COWLIN CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

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.

COWLIN CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS **For the year ended 31 December 2012**

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

	2012 £'000	2011 £'000
Income from fixed asset investments	-	110

4. INTEREST

	2012 £'000	2011 £'000
Interest payable and similar charges	-	1
Other interest	-	1
Finance costs relating to defined benefit pension scheme (note 18)	10	10
	<u>10</u>	<u>11</u>

5 (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2012 £'000	2011 £'000
(Loss)/profit on ordinary activities before taxation is arrived at after charging	-	-
Depreciation of tangible fixed assets - owned	55	211
Operating leases - plant and machinery	1,007	1,257
Operating leases - land and buildings	138	138
Loss on disposal of tangible fixed assets	10	1

The audit fee of £52,000 (2011 £43,000) for the audit of the company's accounts was borne by Balfour Beatty Construction Scottish & Southern Limited in the current and previous period and was not recharged

COWLIN CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

6. DIRECTORS' EMOLUMENTS	2012 £'000	2011 £'000
Directors' remuneration		
Emoluments	586	637
Contributions paid to the defined contribution pension scheme	95	123
	<u>681</u>	<u>760</u>
	No.	No.
Number of directors who		
Are members of the company's defined contribution pension scheme	5	5
Are members of the company's defined benefit pension scheme	1	-

There is one director who is a member of the defined benefit scheme with a defined contribution top therefore they have been included in both numbers above

	£'000	£'000
Remuneration of the highest paid director:		
Emoluments	163	134
Contributions paid to the defined contribution pension scheme	25	24
	<u>188</u>	<u>158</u>

7. EMPLOYEE INFORMATION

The average number of employees, including executive directors, was

	2012 No.	2011 No.
Production	45	49
Administration	191	203
	<u>236</u>	<u>252</u>

	£'000	£'000
Employment costs of all the employees included above		
Wages and salaries	9,992	10,274
Redundancy payments	591	101
Employer's national insurance and state pension contributions	1,294	1,123
Employer's contributions under the group pension scheme	716	670
Share-based payments	8	10
	<u>12,601</u>	<u>12,178</u>

There were no pension contributions outstanding at 31 December 2012 (2011 £nil)

COWLIN CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2012

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 £8,000 in 2012 (2011 £10,000).

Savings-related share options

Balfour Beatty plc has not granted any savings-related share options ("SAYE") since 2010, but has continued to operate an HMRC approved scheme under which employees were 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 2012 Number	Weighted average exercise price 2012 Pence	SAYE options 2011 Number	Weighted average exercise price 2011 Pence
Outstanding at 1 January	62,974	256.8	125,573	275.2
Transferred during the year	-	-	(476)	249.0
Forfeited during the year	(4,971)	253.3	(46,406)	288.4
Exercised during the year	(10,658)	248.6	(3,235)	299.8
Expired during the year	(9,300)	274.0	(12,482)	313.9
Outstanding at 31 December	38,045	255.4	62,974	256.8
Exercisable at 31 December	277	249.0	2,905	315.2

COWLIN CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2012

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 298 2p (2011 309 6p). Those SAYE options granted to employees of the company which were outstanding at 31 December 2012 had a weighted average remaining contractual life of 1.6 years (2011 2.0 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

COWLIN CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2012

9. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2012 £'000	2011 £'000
(a) The tax charge comprises:		
Current tax		
Current tax on income for the period	-	195
Adjustment in respect of prior years	(1)	19
Total current tax	(1)	214
Deferred tax		
Tax losses carried forward	(1,523)	32
Capital allowances in excess of depreciation	(16)	(37)
Deferred tax charge on retirement obligations	37	40
Deferred tax charge on share-based payments	-	3
Rate change adjustment	109	19
Adjustments in respect of prior years	(32)	(65)
Total deferred tax	(1,425)	(8)
Total tax on profit on ordinary activities	(1,426)	206

(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 24.5% (2011 26.5%). The current tax charge for the year differs from 24.5% (2011 26.5%) for the reasons set out in the following reconciliation

	£'000	£'000
(Loss)/Profit on ordinary activities before taxation	(6,205)	804
	£'000	£'000
Current tax @ 24.5% (2011 @ 26.5%)	(1,520)	213
Factors affecting the charge		
Expenses not deductible for tax purposes	(16)	20
Deferred taxation on pension fund deficit (note 14)	(37)	(40)
Difference between capital allowances and depreciation	16	37
Other short term timing differences	(76)	(32)
Statutory deduction on exercise of share options	-	(3)
Adjustments in respect of prior years	(1)	19
Tax loss utilised by other group companies	1,633	-
Tax on profit on ordinary activities	(1)	214

COWLIN CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

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 24.5% (2011: 26.5%)

The Finance Act 2012 was enacted on 17 July 2012 implementing a reduction to the main UK corporation tax rate from 25% to 24% effective from 1 April 2012, with a further reduction of 1% to 23% from 1 April 2013. As a result of the change the deferred tax balances at the year-end have been re-measured. This gives rise to a deferred tax charge of £105k in the year.

In the 2012 Autumn Statement it was announced, that there will be a further 2% reduction in the main UK Corporation Tax Rate, to bring the rate down to 21% from 1 April 2014. The 2013 Chancellors Budget subsequently announced a further fall to 20% effective from 1 April 2015.

The charges 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 2012	918
Additions	-
Disposals	(129)
At 31 December 2012	789
Depreciation	
At 1 January 2012	805
Charge for the year	55
Disposals	(119)
At 31 December 2012	741
Net book value	
At 31 December 2012	48
At 31 December 2011	113

COWLIN CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2012

11. DEBTORS	2012 £'000	2011 £'000
Trade debtors	8,227	9,570
Amounts recoverable on contracts	2,273	186
Amounts owed by group undertakings	1,141	1,186
VAT	954	-
Other debtors	72	236
Prepayments and accrued income	775	130
Deferred tax (note 15)	1,701	238
	<u>15,143</u>	<u>11,546</u>

Included in trade debtors are retentions of £4,261,000 (2011 £6,027,000) of which £1,745,000 (2011 £1,122,000) is due after more than one year

Included in intercompany balances owed to the company are amounts of £182,812 (2011 £53,000) due after more than one year

12 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2012 £'000	2011 £'000
Trade creditors	20,311	30,393
Amounts owed to group undertakings	676	365
Corporation tax	-	195
Other taxation and social security	288	807
Other creditors	216	928
Accruals and deferred income	4,148	844
	<u>25,639</u>	<u>33,532</u>

13 CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	2012 £'000	2011 £'000
Amounts owed to group undertakings	<u>3,738</u>	<u>3,738</u>

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

COWLIN CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2012

14. DEFERRED TAX

	2012 £'000	2011 £'000
Opening deferred tax asset	331	280
Movement in profit and loss account		
Accelerated capital allowances	16	37
Share-based payments	-	(3)
Pension deficit charge	(37)	(40)
Tax losses carried forward	1,525	(31)
Rate change adjustment	(109)	(19)
Adjustments in respect of prior years	32	65
Movement in statement of total recognised gains and losses.		
Rate change in statement of recognised gains and losses	(7)	-
Deferred tax charged to statement of recognised gains and losses	27	42
Closing deferred tax asset	<u>1,778</u>	<u>331</u>
Deferred tax asset consists of the following amount		
	£'000	£'000
Debtors (note 11)		
Other timing differences	77	175
Accelerated capital allowances	88	61
Share-based payments	2	2
Tax losses	1,534	-
Total deferred tax asset recognised in debtors	1,701	238
Pension scheme deficit (note 19)	76	93
Total deferred tax asset	<u>1,777</u>	<u>331</u>

The deferred tax asset in respect of the pension deficit of £76,000 (2011 £93,000) is shown netted off the pension scheme liability (see note 19)

15. CALLED UP SHARE CAPITAL

	2012 £'000	2011 £'000
Allotted, called up and fully paid 600,000 ordinary shares of £1 each	<u>600</u>	<u>600</u>

COWLIN CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2012

16. 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	38	8,585	9,223
Loss for the financial year	-	-	(4,779)	(4,779)
Movements related to share-based payments	-	(13)	21	8
Actuarial loss, net of deferred tax	-	-	(92)	(92)
At end of the year	600	25	3,735	4,360

17. OPERATING LEASES

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

	2012 £'000	2011 £'000
Other leases terminating		
- within one year	143	72
- between two and five years	131	382
- after more than five years	-	-
	<u>274</u>	<u>454</u>

18. 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 2012.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2012

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

	2012	2011	2010
Rate of increase in salaries	n/a	n/a	n/a
Expected rate of inflation (Retail Price Index – RPI)	2 85%	2 75%	3 45%
Expected rate of inflation (Consumer Price Index – CPI)	2 10%	2 00%	n/a
Rate of increase of Guaranteed Minimum Pensions (GMP) earned before 1 October 1990 (RPI)	n/a	n/a	3 45%
Rate of increase of Guaranteed Minimum Pensions (GMP) earned after 1 October 1990 (RPI)	n/a	n/a	3 45%
Rate of increase of Guaranteed Minimum Pensions (GMP) earned before 1 October 1990 (CPI)	2 10%	2 00%	n/a
Rate of increase of Guaranteed Minimum Pensions (GMP) earned after 1 October 1990 (CPI)	5 00%	5 00%	n/a
Rate of increase to pensions in payment (RPI)	2 85%	2 75%	3 45%
Discount rate	4 25%	4 60%	5 45%

Bid value of assets and expected rates of return

	At 31 December 2012		At 31 December 2011		At 31 December 2010	
	Expected rate of return %	Bid value £'000	Expected rate of return %	Bid value £'000	Expected rate of return %	Bid value £'000
Managed funds						
Equity	5.80%	144	6.00	275	7.00	360
Gilts	2.30%	95	2.50	20	4.00	83
Corporate bonds	4.25%	200	4.60	98	5.45	133
Cash	3.35%	32	3.25	13	4.00	45
Property	4.30%	45	4.50	73	6.00	94
		<u>516</u>		<u>479</u>		<u>715</u>
				2012	2011	2010
				£'000	£'000	£'000
Total fair value of assets				516	479	715
Present value of scheme liabilities				(846)	(849)	(1,050)
Deficit in the scheme				(330)	(370)	(335)
Related deferred tax asset				76	93	91
Net pension liability				<u>(254)</u>	<u>(277)</u>	<u>(244)</u>

COWLIN CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

19. PENSION SCHEME (continued)

	2012 £'000	2011 £'000
Analysis of amount charged to finance charges		
Expected return on pension scheme assets	25	39
Interest on pension scheme liabilities	(35)	(49)
Net finance charge	<u>(10)</u>	<u>(10)</u>
 Analysis of amount recognised in statement of total recognised gains and losses	 £'000	 £'000
Actual return less expected return on pension scheme assets	39	(135)
Change in inflationary assumption from RPI to CPI	-	1
Changes in assumptions underlying the present value of the scheme liabilities	(47)	(86)
Experience gains and losses arising on scheme's liabilities	(104)	33
Actuarial loss recognised in statement of total recognised gains and losses	<u>(112)</u>	<u>(187)</u>
 Movements in present value of defined benefit obligations were as follows	 £'000	 £'000
At 1 January 2012	849	1,050
Service cost	-	-
Interest cost	35	49
Actuarial gains and losses	151	52
Benefits paid	(189)	(302)
At 31 December 2012	<u>846</u>	<u>849</u>
 Movements in the fair value of scheme assets were as follows	 £'000	 £'000
At 1 January 2012	479	715
Expected return on scheme assets	25	39
Actuarial gains and losses	39	(135)
Contributions from the sponsoring companies	162	162
Contributions from scheme members	-	-
Benefits paid	(189)	(302)
At 31 December 2012	<u>516</u>	<u>479</u>

There was no current service charge for the year (2011 £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

COWLIN CONSTRUCTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2012

19. PENSION SCHEME (continued)

History of experience gains and losses

	2012	2011	2010	2009	2008
Actual return less expected return on scheme assets (£'000)	39	(135)	29	52	(28)
Percentage of scheme's assets	7.56%	28.18%	4.06%	10.0%	5.8%
Experience losses and gains arising on scheme's liabilities (£'000)	(104)	33	(271)	122	(48)
Percentage of the present value of the scheme's liabilities	12.29%	3.89%	25.80%	16.4%	5.2%
Changes in the assumptions underlying the present value of the scheme's liabilities (£'000)	(47)	(85)	(42)	(108)	101
Percentage of the present value of the scheme's liabilities	5.56%	10.01%	4.00%	11.7%	10.9%
Total amount recognised in the STRGL (£'000)	(112)	(187)	(284)	66	25
Percentage of the present value of the scheme's liabilities	13.24%	22.03%	27.05%	7.2%	2.7%

19. 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

20. 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

21. EVENTS AFTER THE BALANCE SHEET DATE

With effect from 1 February 2013, the 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