

COMPANY REGISTRATION NUMBER SC028860

McGOWAN & CO (CONTRACTORS) LIMITED



ANNUAL REPORT AND STATEMENT OF ACCOUNTS TO 31st JULY 2012

McGowan & Co (Contractors) Limited

OFFICERS AND PROFESSIONAL ADVISORS

DIRECTOR
J. R. SMART

COMPANY SECRETARY
P. SWEENEY

REGISTERED OFFICE
28 CRAMOND ROAD SOUTH
EDINBURGH
EH4 6AB

BANKERS
BANK OF SCOTLAND,
38 ST ANDREW SQUARE
EDINBURGH
EH2 2YR

AUDITORS
FRENCH DUNCAN LLP
CHARTERED ACCOUNTANTS,
375 WEST GEORGE STREET
GLASGOW
G2 4LW

SOLICITORS
RUSSEL & AITKEN LLP,
27 RUTLAND SQUARE
EDINBURGH
EH1 2BU

ANDERSON STRATHERN LLP,
1 RUTLAND COURT
EDINBURGH
EH3 8EY

The Director submits the Annual Report and Statement of Accounts for the year ended 31st July 2012.

REVIEW OF THE BUSINESS AND PRINCIPAL ACTIVITIES

The principal activity of the Company during the year was plumbing contractors.

Revenue during the year increased by £333,676, resulting in an operating profit of £42,245. The profit before taxation amounted to £42,278 as compared to a loss of £12,369 in the previous year.

RESULTS AND DIVIDENDS

The profit of the Company for the year after charging taxation amounted to £31,347.

The Director does not recommend the payment of a dividend.

STATEMENT OF DIRECTOR'S RESPONSIBILITIES

The Director is responsible for preparing the Annual Report and financial statements in accordance with applicable law and regulations.

Company law requires the Director to prepare financial statements for each financial year which 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. Under that law they are required to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and applicable law. Under company law the Director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs of the Company and of its profit or loss for that period.

In preparing those financial statements, the Director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with IFRS as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable him to ensure that the financial statements comply with the Companies Act 2006 and IFRS, as adopted by the EU. The Director is 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.

Under applicable law and regulations the Director is also responsible for preparing the Report of the Director that complies with that law and regulations.

PROPERTY, PLANT AND EQUIPMENT

Full details of the movements in Property, plant and equipment during the year are given in note 6 to the accounts.

FUTURE DEVELOPMENTS

It is not anticipated that the activities of the Company, as described above, will substantially change in the immediate future.

DIRECTORS AND THEIR INTERESTS

The Directors who served the Company during the year were as follows:

A. D. McClure retired 19th December 2011
J. R. Smart

The Company is a wholly owned subsidiary and the interests of the Directors in the Parent Company is disclosed in the financial statements of the Parent Company.

AUDITORS

In accordance with section 489 of Companies Act 2006, a resolution is to be proposed at the forthcoming Annual General Meeting for the re-appointment of French Duncan LLP as auditors of the Company.

STATEMENT OF DISCLOSURE TO AUDITORS

In the case of the Director who was a Director at the date this Report was approved:

- so far as the Director is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditors are unaware, and
- the Director has taken all steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Patricia Sweeney

APPROVED BY THE BOARD OF DIRECTORS
AND SIGNED ON ITS BEHALF BY,

P. SWEENEY,
Secretary.

13th November 2012

INDEPENDENT REPORT OF THE AUDITORS

TO THE SHAREHOLDER OF MCGOWAN & CO (CONTRACTORS) LIMITED

We have audited the financial statements of McGowan & Co (Contractors) Limited for the year ended 31st July 2012 which comprise Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Financial Position, Statement of Cash Flows and related notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

This report is made solely to the Company's shareholders, 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 shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTOR AND AUDITORS

As explained more fully in the Director's Responsibility Statement (set out on page 2), the Director is 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 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 (APB'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 Director and the overall presentation of the financial statements. In addition we read all the financial and non-financial information in the Director's 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 31st July 2012 and of the profit and the Company's Cash Flow for the year then ended;
- the financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:

- the information given in the Report of the Director 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:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company; or
- the Company's financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

375 WEST GEORGE STREET,
GLASGOW, G2 4LW
13th November 2012



Kevin G Booth
Senior Statutory Auditor
for and on behalf of FRENCH DUNCAN LLP,
Statutory Auditor and Chartered Accountants

McGowan & Co (Contractors) Limited**STATEMENT OF COMPREHENSIVE INCOME for the year ended 31st JULY 2012**

	Notes	2012 £	2011 £
REVENUE		1,127,489	793,813
Cost of sales		(901,908)	(642,956)
GROSS PROFIT		225,581	150,857
Net operating expenses		(183,336)	(163,226)
OPERATING PROFIT/(LOSS)	3	42,245	(12,369)
Finance income	4	33	-
PROFIT/(LOSS) BEFORE TAX		42,278	(12,369)
Taxation	5	(10,931)	6,176
PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY SHAREHOLDER		31,347	(6,193)

All activities in both the current and previous year relate to continuing operations.

The notes on pages 10 to 21 form an integral part of these accounts.

McGowan & Co (Contractors) Limited**STATEMENT OF CHANGES IN EQUITY as at 31st JULY 2012**

	Share Capital £	Retained Earnings £	Total £
At 1st August 2010	1,000	438,745	439,745
Total recognised Income and Expense	—	(6,193)	(6,193)
Total comprehensive income	<u>—</u>	<u>(6,193)</u>	<u>(6,193)</u>
At 31st July 2011	<u>1,000</u>	<u>432,552</u>	<u>433,552</u>
Total recognised Income and Expense	—	31,347	31,347
Total comprehensive income	<u>—</u>	<u>31,347</u>	<u>31,347</u>
At 31st July 2012	<u>1,000</u>	<u>463,899</u>	<u>464,899</u>

The notes on pages 10 to 21 form an integral part of these accounts.

McGowan & Co (Contractors) Limited**STATEMENT OF FINANCIAL POSITION as at 31st JULY 2012**

	Notes	2012 £	2011 £
NON-CURRENT ASSETS			
Property, plant and equipment	6	12,189	18,282
Deferred tax asset	12	2,458	2,250
		<u>14,647</u>	<u>20,532</u>
CURRENT ASSETS			
Inventories	7	74,475	22,396
Trade and other receivables	8	194,633	84,625
Corporation tax asset		—	707
Cash at bank and in hand		343,259	379,161
		<u>612,367</u>	<u>486,889</u>
TOTAL ASSETS		<u>627,014</u>	<u>507,421</u>
NON-CURRENT LIABILITIES			
Deferred tax liabilities	12	—	—
CURRENT LIABILITIES			
Trade and other payables	10	150,978	73,869
Current tax liabilities		11,137	—
		<u>162,115</u>	<u>73,869</u>
TOTAL LIABILITIES		<u>162,115</u>	<u>73,869</u>
NET ASSETS		<u>464,899</u>	<u>433,552</u>
EQUITY			
Called up share capital	13	1,000	1,000
Retained earnings	14	463,899	432,552
TOTAL EQUITY		<u>464,899</u>	<u>433,552</u>

Approved by the Board on
13th November 2012



J. R. SMART, Director

COMPANY REGISTRATION NUMBER SC028860

The notes on pages 10 to 21 form an integral part of these accounts.

McGowan & Co (Contractors) Limited**STATEMENT OF CASH FLOWS for the year ended 31st JULY 2012**

	Notes	2012 £	2011 £
CASH FLOWS (USED IN)/FROM OPERATING ACTIVITIES	15(a)	(36,640)	24,367
Tax paid on profits		<u>705</u>	<u>(11,506)</u>
NET CASH FLOW (USED IN)/FROM OPERATING ACTIVITIES		<u>(35,935)</u>	<u>12,861</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		—	(13,437)
Sale of property, plant and equipment		—	13,000
Interest received		<u>33</u>	<u>—</u>
NET CASH FROM/(USED IN) INVESTING ACTIVITIES		<u>33</u>	<u>(437)</u>
(DECREASE)/INCREASE IN CASH, CASH EQUIVALENTS AND BANK		<u>(35,902)</u>	<u>12,424</u>
CASH, CASH EQUIVALENTS AND BANK AT BEGINNING OF YEAR	15(b)	<u>379,161</u>	<u>366,737</u>
CASH, CASH EQUIVALENTS AND BANK AT END OF YEAR	15(b)	<u>343,259</u>	<u>379,161</u>

The notes on pages 10 to 21 form an integral part of these accounts.

1. ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES

GENERAL INFORMATION

McGowan & Co (Contractors) Limited is a limited company registered in Scotland and incorporated in the United Kingdom.

STATEMENT OF COMPLIANCE

The accounts are prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) Interpretations endorsed by the European Union (EU) and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS EFFECTIVE IN THE YEAR TO 31ST JULY 2012

The following new Standards, Amendments to Standards and Interpretations which were mandatory for the first time for the year to 31st July 2012, but which are not relevant or material to the Company were:

- IFRS 1 (amended), First Time Adoption relating to severe hyperinflation and the removal of fixed dates for first time adopters.
- IFRS 7 (amended), Financial Instruments Disclosures relating to transfers of financial assets.
- IAS 24 (revised), Related Party Disclosures revised definition of related parties.
- IFRIC 14 (amended), IAS 19 Prepayments of a minimum funding requirement.
- IFRIC 20, Stripping costs in the production phase of a surface mine.

Also there have been changes to standards resulting from the International Accounting Standards Board's 2010 Annual Improvement Programme, none of the amendments had a material impact on the Company.

The Company adopted IAS 12 (revised), Income Tax relating to Deferred Tax and the recovery of underlying assets in the accounts to 31st July 2012 although mandatory adoption thereof is not required until the year to 31st July 2013.

NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS NOT YET APPLIED

The following new Standards, Amendments to Standards and Interpretations have been issued by the International Accounting Standard Board but which are effective for the Company after the date of these financial statements, and have not been adopted earlier:

- IAS 1 (amended), Presentation of items in Other Comprehensive Income. Effective for accounting periods beginning on or after 1st July 2012.
- IAS 19 (amended), Employee benefits resulting from Post-Employment and Termination Benefits projects. Effective for accounting periods beginning on or after 1st January 2013.
- IAS 27 (revised), Consolidated and Separate Financial Statements. Effective for accounting periods beginning on or after 1st January 2013.
- IAS 28 (revised), Investments in Associates and Joint Ventures. Effective for accounting periods beginning on or after 1st January 2013.
- IAS 32 (amended), Financial Instruments: Presentation relating to offset of assets and liabilities. Effective for accounting periods beginning on or after 1st January 2014.
- IFRS 1 (amended), First Time Adoption relating to government loans with below-market rate of interest. Effective for accounting periods beginning on or after 1st January 2013.
- IFRS 7 (amended), Financial Instruments Disclosures relating to offset of assets and liabilities. Effective for accounting periods beginning on or after 1st January 2013.
- IFRS 9 (amended), Financial Instruments – Classification and Measurement. Effective for accounting periods beginning on or after 1st January 2015.

1. ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES (continued)

NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS NOT YET APPLIED (continued)

- IFRS 10 Consolidated Financial Statements. Effective for accounting periods beginning on or after 1st January 2013.
- IFRS 11 Joint Arrangements. Effective for accounting periods beginning on or after 1st January 2013.
- IFRS 12 Disclosures of Interests in Other Entities. Effective for accounting periods beginning on or after 1st January 2013.
- IFRS 13 Fair Value Measurement. Effective for accounting periods beginning on or after 1st January 2013.

Also there have been changes to standards resulting from the International Accounting Standards Board's 2009 - 2011 Annual Improvement Programme.

The Director is to fully consider the implications of these Standards, Amendments to Standards and Interpretations and their relevance and impact on the financial statements of the Company. The Director anticipates that there will be no material effect on the financial statements.

BASIS OF PREPARATION

The accounts have been prepared under the historical cost convention.

The accounting policies set out below have been consistently applied to all periods presented in these accounts.

The preparation of financial statements requires management to make estimates and assumptions concerning the future that may affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Management believes that the estimates and assumptions used in the preparation of these accounts are reasonable. However, actual outcomes may differ from those anticipated.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

LONG-TERM CONTRACT PROVISIONS

Judgement is required in the area of provisions for losses on long-term contracts. The Director considers adequate, but not excessive provisions have been made in this respect.

RETIREMENT BENEFIT OBLIGATIONS

The valuation of the retirement benefit obligation is dependent upon a series of assumptions, mainly discount rates, mortality rates, investment returns, salary, inflation and rate of pension increases which are determined after taking expert advice from the Group's Actuary.

1. ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES (continued)

CAPITAL MANAGEMENT

Company objectives in managing capital are to safeguard the interests of the Company to operate as a debt-free going concern and of its employees to maintain wherever possible security of employment, remuneration and retirement provisions.

The capital structure of the Company consists of issued share capital and retained earnings, represented predominantly by cash.

These assets are purchased, managed and maintained by the Company's management and employees, advised where appropriate by independent outside professionals.

The Company has sufficient cash reserves and readily realisable assets available to meet its foreseeable commitments.

PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment are stated at cost less accumulated depreciation.

Subsequent costs are included in the asset's carrying value or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of them can be measured reliably. All other repair and maintenance expenditure is charged to the Statement of Comprehensive Income as incurred.

The Company assesses at each Balance Sheet date whether there is an indication that an asset may be impaired. If such any indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. Where the carrying value exceeds its recoverable amount the asset is considered impaired and written down accordingly.

DEPRECIATION

Depreciation is provided on all items of plant and equipment at rates calculated to write off the cost of each asset over its expected useful life, as follows:

Plant and machinery	- 25% reducing balance
Motor vehicles	- 33 1/3% reducing balance

INVENTORIES AND WORK IN PROGRESS

Inventories are valued at the lower of cost and net realisable value.

Work in progress other than long-term contract work in progress is valued at the lower of cost and net realisable value.

Cost includes materials, on a first-in first-out basis and direct labour plus attributable overheads based on normal operating activity, where applicable. Net realisable value is the estimated selling price less anticipated disposal costs.

1. ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES (continued)

LONG-TERM CONTRACTS

Amounts recoverable on contracts which are included in debtors are stated at cost as defined above, plus attributable profit to the extent that this is reasonably certain after making provision for maintenance costs, less any losses incurred or foreseen in bringing contracts to completion, and less amounts received as progress payments.

For any contracts where receipts exceed the book value of work done, the excess is included in trade and other payables as payments on account.

INCOME TAX

The charge for current UK corporation tax is based on results for the year as adjusted for items that are non-assessable or disallowed and any adjustments for tax payable in respect of previous years. It is calculated using rates that have been enacted or substantially enacted at the Balance Sheet date.

DEFERRED TAXATION

Deferred tax is provided using the liability method in respect of temporary differences between the carrying value of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax is provided on all temporary differences where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is determined using tax rates that have been enacted or substantially enacted by the Balance Sheet date and are expected to apply when the deferred tax asset is realised or the deferred tax liability is settled. It is recognised in the Statement of Comprehensive Income except when it relates to items credited or charged directly to Equity, in which case the deferred tax is also dealt with in Equity.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

PENSIONS

The Company contributes to the Group Defined Benefit Pension Scheme, which was closed to new members during the year to 31st July 2003 and which requires contributions to be made to an administered fund.

The obligations of the scheme represent benefits accruing to employees and are measured at discounted present value while scheme assets are measured at their fair value. The discount rate used is the yield on AA credit rated corporate bonds that have a maturity date approximating to the terms of the Company's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

The operating and financial costs of such plans are recognised separately in the Statement of Comprehensive Income, service costs are spread systematically over the working lives of the employees concerned and financing costs are recognised in the periods in which they arise. Actuarial gains and losses, arising from either experience, differing from previous actuarial assumptions or changes to those assumptions, are recognised immediately in the Statement of Recognised Income and Expense.

The Company also operates a defined contribution Group Personal Pension Plan for eligible employees. The plan is externally administered and professionally managed. Contributions payable are expensed to the Statement of Comprehensive Income as incurred.

1. ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES (continued)

REVENUE

Revenue, which is stated net of value added tax, represents the invoiced value of goods sold, except in the case of long-term contracts where revenue represents the sales value of work done in the year. The measurement and stage of completion of revenue of long-term contracts are based on external valuations issued by the third party surveyors.

Profits on long-term contracts are calculated in accordance with International Financial Reporting Standards and do not relate directly to revenue. Profit on current contracts is only taken at a stage near enough to completion for that profit to be reasonably certain after making provision for contingencies, whilst provision is made for all losses incurred to the accounting date together with any further losses that are foreseen in bringing contracts to completion.

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised on the Statement of Financial Position when the Company becomes a party to the contractual provision of the instrument. The principal treasury objective is to provide sufficient liquidity to meet operational cash requirements. The Company operates controlled treasury policies which are monitored by the Board to ensure that the needs of the Company are met as they arise.

TRADE AND OTHER RECEIVABLES

Trade and other receivables are recognised at invoiced value less provisions for impairment. A provision for impairment of trade receivables is established where there is objective evidence that the Company will not be able to collect all amounts due according to the terms of the receivables concerned.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, deposits with banks and other short-term, highly liquid investments with original maturities of three months or less.

TRADE AND OTHER PAYABLES

Trade and other payables are non-interest bearing and are recognised at invoiced amount.

2. STAFF COSTS AND DIRECTOR'S REMUNERATION

Staff costs during the year amounted to:

	2012 £	2011 £
Wages, salaries and short term benefits	387,716	303,372
Social security costs	30,199	22,317
Post-employment benefits	32,442	31,843
	<u>450,357</u>	<u>357,532</u>

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

	No.	No.
Construction and related services	12	8
Office and management	1	1
	<u>13</u>	<u>9</u>

2. STAFF COSTS AND DIRECTOR'S REMUNERATION (continued)

No remuneration was paid to the Director of this Company in this or the previous year.

Key management comprises solely of the Director of the Company.

3. OPERATING PROFIT/(LOSS)

	2012 £	2011 £
This is stated after charging/(crediting):		
Cost of inventories recognised as an expense	494,246	308,031
Staff costs (per note 2)	450,357	357,532
Depreciation of owned assets	6,093	9,139
Profit on disposal of property, plant and equipment	—	(799)
Hire of plant and equipment	—	54
Auditors' remuneration and expenses	7,500	7,400

4. FINANCE INCOME

Receivable: Other Interest	33	—
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5. TAXATION

UK Corporation Tax		
Current tax on income for the year	11,137	(707)
Corporation tax over provided in previous years	2	(3,137)
	11,139	(3,844)
Deferred taxation (note 12)	(208)	(2,332)
	10,931	(6,176)
Current Tax Reconciliation		
Profit/(Loss) on ordinary activities before tax	42,278	(12,369)
Current tax at 25.33% (2011, 27.33%)	10,709	(3,380)
Effects of:		
Effect of changes in tax rate	220	341
Adjustments to tax charge in respect of prior years	2	(3,137)
	10,931	(6,176)

The rate of corporation tax reduced from 26% to 24% during the year. The effective rate of tax has been calculated as the average rate applicable over the period.

In calculating the deferred tax assets and liabilities the Company has adopted IAS 12 (revised), Income Tax relating to Deferred Tax and the recovery of underlying assets in the accounts to 31st July 2012 although mandatory adoption thereof is not required until the year to 31st July 2013.

6. PROPERTY, PLANT AND EQUIPMENT

	Plant, equipment and vehicles £
Cost:	
At 1st August 2011	59,080
Additions	—
Disposals	—
At 31st July 2012	<u>59,080</u>
Depreciation:	
At 1st August 2011	40,798
Provided during year	6,093
Disposals	—
At 31st July 2012	<u>46,891</u>
Net book value:	
At 31st July 2012	<u>12,189</u>

	Plant, equipment and vehicles £
Cost:	
At 1st August 2010	63,945
Additions	13,437
Disposals	(18,302)
At 31st July 2011	<u>59,080</u>
Depreciation:	
At 1st August 2010	37,760
Provided during year	9,139
Disposals	(6,101)
At 31st July 2011	<u>40,798</u>
Net book value:	
At 31st July 2011	<u>18,282</u>

McGowan & Co (Contractors) Limited

NOTES TO THE ACCOUNTS (continued)

31st July 2012

7. INVENTORIES

	2012 £	2011 £
Raw materials and consumables	<u>74,475</u>	<u>22,396</u>

8. TRADE AND OTHER RECEIVABLES

Trade debtors	1,212	(33)
Amounts owed by Group Companies	98,277	63,272
Prepayments and accrued income	2,953	2,172
Amounts recoverable on contracts	92,191	19,214
	<u>194,633</u>	<u>84,625</u>

9. BANK

The bank has been granted guarantees and letters of offset by each member of the Group in favour of the bank on account of all other members of the Group as a continuing security for all monies, obligations and liabilities owing or incurred to the bank.

10. TRADE AND OTHER PAYABLES

Trade creditors	80,054	21,898
Other taxes and social security costs	8,417	6,034
Other creditors and accruals	62,507	45,937
	<u>150,978</u>	<u>73,869</u>

11. FINANCIAL INSTRUMENTS

The Company's financial instruments comprise bank balances and cash, trade receivables and trade payables. The amounts presented in relation to trade receivables are net of allowances for doubtful receivables.

The carrying amount of these assets approximates to their fair value.

Credit risk

In relation to the Company's financial assets, the Company has no significant concentration of credit risk, as exposure is spread over a large number of counterparties and customers.

12. DEFERRED TAXATION

Deferred Tax Assets

	Other Timing Differences
	£
At 1st August 2010	1,885
Credited to Statement of Comprehensive Income	365
At 31st July 2011	<u>2,250</u>
Credited to Statement of Comprehensive Income	208
At 31st July 2012	<u>2,458</u>

Deferred Tax Liabilities

	Other Timing Differences
	£
At 1st August 2010	1,967
Credited to Statement of Comprehensive Income	(1,967)
At 31st July 2011	<u>-</u>
Credited to Statement of Comprehensive Income	-
At 31st July 2012	<u>-</u>

13. SHARE CAPITAL

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

All shareholders of ordinary shares have a right to receive dividends paid by the Company in accordance with their shareholding. Each shareholder has the right to attend and vote at a General Meeting, each share attracts one vote. There are no restrictions on the distribution of dividends or repayment of capital.

14. STATEMENT OF CHANGES IN EQUITY

	Share Capital £	Retained Earnings £	Total £
At 1st August 2010	1,000	438,745	439,745
Total recognised Income and Expense	—	(6,193)	(6,193)
Total comprehensive income	—	(6,193)	(6,193)
At 31st July 2011	<u>1,000</u>	<u>432,552</u>	<u>433,552</u>
Total recognised Income and Expense	—	31,347	31,347
Total comprehensive income	—	31,347	31,347
At 31st July 2012	<u>1,000</u>	<u>463,899</u>	<u>464,899</u>

15. NOTES TO THE STATEMENT OF CASH FLOWS

(a) RECONCILIATION OF OPERATING PROFIT/(LOSS) TO CASH FLOWS FROM OPERATING ACTIVITIES

	2012 £	2011 £
Profit/(Loss) before tax	42,278	(12,369)
Depreciation	6,093	9,139
Profit on sale of property, plant and equipment	—	(799)
Interest received	(33)	—
Change in inventories	(52,079)	23,262
Change in receivables	(110,008)	3,619
Change in payables	77,109	1,515
Net cash generated (used in)/from operations	<u>(36,640)</u>	<u>24,367</u>

(b) CASH AND CASH EQUIVALENTS FOR STATEMENT OF CASH FLOWS

Cash and cash equivalents	<u>343,259</u>	<u>379,161</u>
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(c) ANALYSIS OF NET FUNDS

	At 1st August 2011 £	Cash Flow £	Other £	At 31st July 2012 £
Cash and cash equivalents	<u>379,161</u>	<u>(35,902)</u>	<u>—</u>	<u>343,259</u>

16. FUTURE CAPITAL EXPENDITURE

There were no amounts of Capital Expenditure relating to Property, plant and equipment contracted for at 31st July 2012 or 31st July 2011.

17. RETIREMENT BENEFITS OBLIGATIONS

The Company contributes to the Group Defined Benefit Pension Scheme for its employees, which was closed to new members during the year to 31st July 2003. The scheme's assets are held separately from the assets of the Company and are administered and managed professionally. The last completed triennial valuation of the scheme was made at 1st November 2009 by an independent qualified actuary. A Statement of Funding Principals has been agreed with the scheme trustees and based on these principals the technical provisions at this evaluation reveals a deficit of £3,400,000, representing a funding level of 86.1%. It has also been agreed with the scheme trustees that the employer contributions to the scheme will continue at the level of 63.6% of pensionable salaries and employee contributions at 3%. The actuarial valuation has been updated to take account of the requirements of IAS 19: Employee Benefits in order to assess the assets and liabilities of the scheme at 31st July 2012.

The Company and Group has accounted for the pensions scheme in accordance with IAS 19: Employee Benefits, however the Company is unable to identify its share of the underlying assets and liabilities of the Group scheme and hence is unable to determine its share of the Group pension deficit of £1,490,000 on an IAS 19 basis.

The Company's pension charge to the Statement of Comprehensive Income in respect of the defined benefit scheme was £841 (2011, £6,411).

Full details and disclosures of the defined benefit scheme are given in the financial statements of the Parent Company.

In the year to 31st July 2003 the Group commenced operation of a defined contribution Group Personal Pension Plan for eligible employees. The plan is externally administered and managed professionally by AEGON UK. The net contribution to the plan for the year was £9,521 (2011, £7,440).

18. RELATED PARTY TRANSACTIONS

(a) GROUP COMPANIES

Transactions between the Company and its fellow Group Companies are as follows:-

	2012 £	2011 £	2012 £	2011 £
	Sale of goods and services		Purchase of goods and services	
GROUP COMPANY				
J Smart & Co (Contractors) PLC	891,810	636,449	112,342	117,487
Cramond Real Estate Company Limited	-	-	-	-
Thomas Menzies (Builders) Limited	-	-	-	-
Concrete Products (Kirkcaldy) Limited	-	-	-	-
C & W Assets Limited	105,446	183,497	-	-

	Amounts owed to fellow Group Company		Amounts owed to fellow Group Company	
GROUP COMPANY				
J Smart & Co (Contractors) PLC	91,219	18,084	-	-
Cramond Real Estate Company Limited	-	-	-	-
Thomas Menzies (Builders) Limited	-	-	-	-
Concrete Products (Kirkcaldy) Limited	-	-	-	-
C & W Assets Limited	7,058	45,188	-	-

The amounts outstanding are unsecured and will be settled for cash. No expense has been recognised in the year for bad or doubtful debts in respect of the amounts owed by Group Companies.

(b) DIRECTOR'S REMUNERATION

No Director's remuneration is paid by this Company.

19. ULTIMATE PARENT COMPANY

J Smart & Co (Contractors) PLC., registered in Scotland is regarded by the Director as being the Company's ultimate Parent Company. Group accounts are available from the Parent Company's registered office at 28 Cramond Road South, Edinburgh, EH4 6AB.