

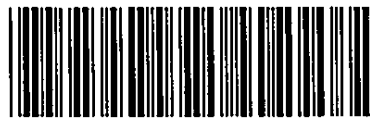
Company Registration Number 4018937

COWLIN GROUP LIMITED

Report and Financial Statements

31 December 2009

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COWLIN GROUP LIMITED

REPORT AND FINANCIAL STATEMENTS 2009

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COWLIN GROUP LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

R Clark
D Knox
N A Sherreard
G Taylor
D B Stockham
D J Harris
A J Parker
H W Townley (appointed 05 January 2009)

SECRETARY

G Taylor

REGISTERED OFFICE

Stratton House
Cater Road
Bishopsworth
Bristol
BS13 7UH

BANKERS

HSBC Bank plc
City Office
49 Corn Street
Bristol
BS99 7PP

AUDITORS

Deloitte LLP
Glasgow, United Kingdom

COWLIN GROUP LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2009

RESULTS

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

PRINCIPAL ACTIVITIES

The company's principal activity is to act as an investment company and the principal activity of the group is building contracting

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

Cowlin continued to make satisfactory progress in 2009 despite a clearly more difficult trading environment. The profit levels remained robust due to the action taken to ensure that the cost base was quickly reduced to reflect the available opportunity.

Turnover in 2009 of £153.6m was down from that achieved in 2008 as construction volumes in regional contracting declined. However, operating profit of £4.3m represents 2.8% of turnover and an improvement over that achieved in 2008.

Our employees are our principal asset and their development and retention remains vital to ensure we continue to provide our customers with innovative solutions in a competitive and challenging market. We have invested in providing new IT across our offices and projects, upgraded our office in Bristol and developed a comprehensive leadership training programme for all senior managers.

The health and safety of our employees, supply chain and the communities in which we operate is our primary concern and we are fully committed to Balfour Beatty's 'Zero Harm' safety policy. Cowlin was awarded a second prestigious RoSPA Presidents' Award for its excellent safety record during the year.

Cowlin places great emphasis on the sustainability agenda to ensure continuous improvement in line with Balfour Beatty's 2020 sustainability vision.

GOING CONCERN

After making enquiries, the directors have a reasonable expectation that the company and the group have 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.

COWLIN GROUP LIMITED

DIRECTORS' REPORT (continued)

PRINCIPAL RISKS AND UNCERTAINTIES

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.

Inflation risk

The group's project revenue and most of its costs are linked to inflation at the inception of the projects, resulting in the projects being largely insensitive to inflation.

Liquidity risk

The group 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 group.

Credit risk

The group'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 group 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 and are based on detailed bank balance predictions. The group does not have bank debt and the group's profit and loss account is not significantly sensitive to movements in interest rates.

DIVIDENDS

The directors do not recommend the payment of a dividend on the ordinary shares in respect of the year ended 31 December 2009 (2008: £nil).

DIRECTORS

The present membership of the Board is set out on page 1.

COWLIN GROUP LIMITED

DIRECTORS' REPORT (continued)

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

SUPPLIER PAYMENT POLICY

The group'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 abide by the terms of payment. Trade creditors of the group at 31 December 2009 were equivalent to 18.7 days (2008: 13.5 days) purchases, based on the average daily amount invoiced by suppliers during the year

CHARITABLE DONATIONS

The group made charitable donations of £5,694 (2008: £4,806) during the year

AUDITORS

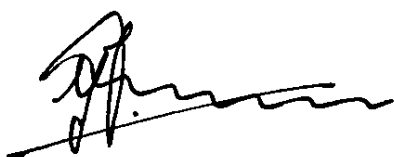
Each of the directors at the date of approval of this report confirms that

- so far as the directors are aware, there is no relevant audit information of which the company's auditors are 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 auditors are 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 auditors will be proposed at the forthcoming Annual General Meeting

Approved by the Board of Directors
and signed on behalf of the Board



Director

COWLIN GROUP 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 group and the company and of the profit or loss of the group 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 AUDITORS' REPORT TO THE MEMBERS OF COWLIN GROUP LIMITED

We have audited the financial statements of Cowlin Group Limited for the year ended 31 December 2009 which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the consolidated and company balance sheets and the related notes 1 to 25. 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 auditors' 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 auditors

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 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 group's and the parent 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.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2009 and of the group's 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company 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 (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
Glasgow, United Kingdom

24 September 2010

COWLIN GROUP LIMITED**CONSOLIDATED PROFIT AND LOSS ACCOUNT**
Year ended 31 December 2009

	Note	2009 £	2008 £
TURNOVER	2	153,592,491	196,042,544
Cost of sales		(140,499,823)	(181,594,676)
GROSS PROFIT		13,092,668	14,447,868
Administrative expenses		(8,837,195)	(9,150,795)
OPERATING PROFIT	3	4,255,473	5,297,073
Interest receivable and similar income	4	228,987	1,012,050
Interest payable and similar charges	5	(27,010)	(28,801)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		4,457,450	6,280,322
Tax on profit on ordinary activities	9	(1,334,943)	(1,943,012)
PROFIT FOR THE FINANCIAL YEAR	19	3,122,507	4,337,310

All results derive from continuing operations

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Year ended 31 December 2009

	2009 £	2008 £
Profit for the financial year	3,122,507	4,337,310
Actuarial gain on pension fund deficit (note 23)	66,000	25,199
Attributable deferred tax on actuarial gain (note 17)	(18,480)	(7,056)
Total recognised gains for the year	3,170,027	4,355,453

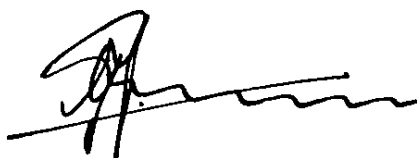
COWLIN GROUP LIMITED

CONSOLIDATED BALANCE SHEET
As at 31 December 2009

	Note	£	2009	£	£	2008	£
FIXED ASSETS							
Tangible assets	11		765,180			1,119,384	
CURRENT ASSETS							
Stocks	13	6,341			8,330		
Debtors (including £2,736,000 due after more than one year (2008 £4,273,576))	14	17,937,717			32,019,865		
Cash at bank and in hand		34,873,517			25,266,068		
		52,817,575			57,294,263		
CREDITORS. AMOUNTS FALLING DUE WITHIN ONE YEAR	15	(42,891,228)			(50,757,126)		
NET CURRENT ASSETS			9,926,347			6,537,137	
TOTAL ASSETS LESS CURRENT LIABILITIES			10,691,527			7,656,521	
CREDITORS. AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	16		-			(7,021)	
NET ASSETS excluding pension fund deficit			10,691,527			7,649,500	
PENSION FUND DEFICIT	23		(163,000)			(318,000)	
NET ASSETS			10,528,527			7,331,500	
CAPITAL AND RESERVES							
Called up share capital	18		1,739,588			1,739,588	
Share premium account			36,570			36,570	
Capital redemption reserve			883,236			883,236	
Merger reserve			(107,769)			(107,769)	
Other reserves			45,440			18,440	
Profit and loss account	19		7,931,462			4,761,435	
SHAREHOLDERS' FUNDS	20		10,528,527			7,331,500	

The financial statements of Cowlin Group Limited, registered number 4018937, were approved by the Board of Directors and authorised for issue on *23 September 2010*.

Signed on behalf of the Board of Directors



Director

COWLIN GROUP LIMITED

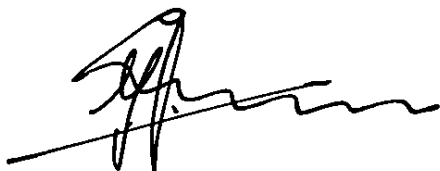
COMPANY BALANCE SHEET As at 31 December 2009

	Note	2009	2008
		£	£
FIXED ASSETS			
Investments	12	2,383,304	2,383,304
CURRENT ASSETS			
Debtors	14	2,779,200	2,798,656
Cash at bank and in hand		3,138	3,135
		<u>2,782,338</u>	<u>2,801,791</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	15	<u>(141,950)</u>	<u>(141,950)</u>
NET CURRENT ASSETS		<u>2,640,388</u>	<u>2,659,841</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>5,023,692</u>	<u>5,043,145</u>
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	16	<u>(53,000)</u>	<u>(53,000)</u>
NET ASSETS		<u>4,970,692</u>	<u>4,990,145</u>
CAPITAL AND RESERVES			
Called up share capital	18	1,739,588	1,739,588
Share premium account		36,570	36,570
Capital redemption reserve		739,716	739,716
Profit and loss account	19	2,454,818	2,474,271
SHAREHOLDERS' FUNDS	20	<u>4,970,692</u>	<u>4,990,145</u>

The financial statements of Cowlin Group Limited, registered number 4018937, were approved by the Board of Directors and authorised for issue on

23 September 2010.

Signed on behalf of the Board of Directors



Director

COWLIN GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS **Year ended 31 December 2009**

1. ACCOUNTING POLICIES

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

Accounting convention

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

Basis of consolidation

The group accounts include the accounts of the company and its subsidiaries made up to the end of the financial year.

Going concern

The group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the business review in the directors' report.

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

The group has considerable financial resources together with long-term contracts with a number of customers and suppliers. As a consequence, the directors believe that the group 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 and the group have 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.

Revenue

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 is recognised as follows:

- Turnover from construction and service activities represents the value of work carried out during the year, including amounts not invoiced.
- Interest income is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.
- Dividend income is recognised when the shareholder's right to receive payment is established.

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 obsolescent, slow-moving and defective stocks.

COWLIN GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

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 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.

Operating leases and lease purchase agreements

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Leasing agreements which transfer to the group substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under lease purchase agreements. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit in proportion to the reducing capital element outstanding. Assets held under lease purchase agreements are depreciated over the useful lives of the equivalent owned assets.

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, at rates calculated to write off the cost or valuation, less estimated residual value, 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

Investments held as fixed assets are stated at cost less any provision for impairment.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2009

1. ACCOUNTING POLICIES (continued)

Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws 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 group'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

Cash flow statement

As a wholly owned subsidiary of Balfour Beatty plc, the company has taken advantage of the exemption from producing a cash flow statement set out in FRS 1. A consolidated cash flow statement is included in the group financial statements

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

COWLIN GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2009

1 ACCOUNTING POLICIES (continued)

Pensions (continued)

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the group, 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.

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 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.

2. TURNOVER

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

3 OPERATING PROFIT

	2009 £	2008 £
Operating profit is stated after charging/(crediting)		
Auditors' remuneration		
- audit of the annual accounts	77,575	65,000
- tax services	-	8,350
- audit of related pension fund	7,000	-
Depreciation of tangible fixed assets		
- owned	202,706	73,201
- leased	159,189	26,301
Operating leases - plant and machinery	487,406	398,684
Profit on disposal of tangible fixed assets	(1,992)	(19,466)

Auditors' remuneration for the company is £9,000 (2008: £9,000) and is borne by Cowlin Construction Limited and no recharge is made.

COWLIN GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2009

4	INTEREST RECEIVABLE AND SIMILAR INCOME	2009 £	2008 £
	Bank interest	<u>228,987</u>	<u>1,012,050</u>
5	INTEREST PAYABLE AND SIMILAR CHARGES	2009 £	2008 £
	On lease purchases	10	16,652
	Other interest	-	149
	Finance costs relating to the defined benefit pension scheme	27,000	12,000
		<u>27,010</u>	<u>28,801</u>
6.	DIRECTORS' EMOLUMENTS	2009 £	2008 £
	Emoluments (excluding pension contributions)	<u>527,022</u>	<u>488,632</u>
		No	No.
	Number of directors who are members of the company's defined contribution pension scheme	<u>3</u>	<u>3</u>
		£	£
	Contributions paid to the defined contribution pension scheme in respect of directors	<u>61,475</u>	<u>51,164</u>
		£	£
	Highest paid director's remuneration (excluding pension contributions)	<u>186,229</u>	<u>159,181</u>
		£	£
	Contributions paid to the defined contribution pension scheme in respect of the highest paid director	<u>21,212</u>	<u>17,614</u>
	No directors were members of the company's defined benefit pension scheme		

COWLIN GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2009

7 EMPLOYEE INFORMATION

The average number of persons employed by the group during the period, including executive directors, is analysed below

	2009 No.	2008 No.
Production	87	147
Administration	289	315
	<u>376</u>	<u>462</u>
Employment costs of all the employees included above	£	£
Gross wages and salaries	12,780,389	17,211,638
Employer's national insurance and state pension contributions	1,600,913	1,846,941
Employer's contributions under the group pension scheme	777,567	608,941
Share-based payments	26,000	18,440
	<u>15,184,869</u>	<u>19,685,960</u>

There were no pension contributions outstanding at 31 December 2009 (2008 £nil)

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 £26,000 in 2009 (2008 £18,440).

In October 2009, Balfour Beatty plc completed a 3 for 7 rights issue at a subscription price of 180p per new ordinary share. Following the rights issue, adjustments were made to the number of shares under option and the exercise prices in accordance with HMRC approved standard formula. The adjustment factor was calculated by dividing the share price immediately before the shares were quoted ex-rights (316 0p) with the theoretical ex-rights price (275 2p), giving an adjustment factor of 1.14826. The same adjustment factor was used to adjust the awards under the performance share plan and the deferred bonus plan. Numbers and prices prior to the rights issue have been adjusted onto a comparable basis.

Savings-related share options

Balfour Beatty plc operates an Inland Revenue 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. On 7 May 2008, options were granted over 2,499,744 ordinary shares at 362p per share, and these are normally exercisable in the periods from July 2011 to December 2011 and from July 2013 to December 2013 depending upon the length of savings contract chosen by the participant. The information in relation to SAYE options granted to employees of the company since 7 November 2002 was

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2009

	SAYE options 2009 number (adjusted)	Weighted average exercise price 2009 pence (adjusted)	SAYE options 2008 number (adjusted)	Weighted average exercise price 2008 pence (adjusted)
Outstanding at 1 January	88,624	315 2	-	-
Granted during the year	50,501	249 0	90,962	315 2
Transferred during the year	3,874	266 4	-	-
Forfeited during the year	(25,410)	303 1	(2,337)	315 2
Exercised during the year	(2,123)	214 0	-	-
Expired during the year	-	-	-	-
Outstanding at 31 December	<u>115,466</u>	289 1	<u>88,625</u>	315 2
Exercisable at 31 December	-	-	-	-

The principal assumptions used by the consultants in the stochastic model for the SAYE options granted in 2009, including expected volatility determined from the historic weekly share price movements over the three-year period immediately preceding the invitation date, were

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COWLIN GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2009

9. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2009 £	2008 £
(a) Analysis of charge in year		
Current tax		
UK corporation tax at 28% (2008 28.5%) based on profits of the period	1,369,000	1,797,632
Adjustments in respect of prior years	(8,320)	107,283
	<u>1,360,680</u>	<u>1,904,915</u>
Deferred tax		
Origination and reversal of timing differences	(29,317)	75,363
Adjustments in respect of prior years	3,580	(37,266)
	<u>(25,737)</u>	<u>38,097</u>
Tax on profit on ordinary activities	<u>1,334,943</u>	<u>1,943,012</u>

(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 28% (2008 blended rate of 28.5%). The current tax charge for the year differs from 28% (2008 28.5%) for the reasons set out in the following reconciliation

	£	£
Profit on ordinary activities before tax	<u>4,457,450</u>	<u>6,280,322</u>
	£	£
Tax on profit on ordinary activities at standard rate	1,248,086	1,789,892
Factors affecting the charge		
Disallowable expenses	86,154	72,197
Capital allowances for period in excess of depreciation	-	(41,162)
Income not taxable	-	(154,659)
Group relief before payment	-	(1,665,720)
Payment for group relief	-	1,797,632
Other short term timing differences	34,760	(548)
Prior year adjustments	(8,320)	107,283
Tax on profit on ordinary activities	<u>1,360,680</u>	<u>1,904,915</u>

COWLIN GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS **Year ended 31 December 2009**

10. PROFIT OF PARENT COMPANY

As permitted by section 408 of the Companies Act 2006, no profit and loss account of the parent company is presented. The parent company's loss for the year after taxation is £19,453 (2008: profit of £39,741).

11. TANGIBLE FIXED ASSETS

Group	Plant and equipment £
Cost	
At 1 January 2009	1,279,332
Additions	14,349
Disposals	(29,150)
At 31 December 2009	<u>1,264,531</u>
Depreciation	
At 1 January 2009	159,948
Provided in year	361,895
Disposals	(22,492)
At 31 December 2009	<u>499,351</u>
Net book value	
At 31 December 2009	<u><u>765,180</u></u>
At 31 December 2008	<u><u>1,119,384</u></u>

The net book value of plant and equipment includes an amount of £34,598 (2008: £80,610) acquired under lease purchase agreements.

12. INVESTMENTS

Company	£
Shares in group companies at cost	
At 1 January 2009 and 31 December 2009	<u>2,383,304</u>
Net book value	
At 31 December 2008 and 31 December 2009	<u><u>2,383,304</u></u>

COWLIN GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2009

12. INVESTMENTS (continued)

The subsidiary companies at 31 December 2009 were

Subsidiary	Nature of business	Investment owned
Cowlin Management Limited	Investment company	Directly
William Cowlin (Holdings) Limited	Property management and administration	Indirectly
Cowlin Construction Limited	Building contractors	Indirectly
Bayford Builders Limited	Dormant	Indirectly
Stratton Electrical Limited	Dormant	Indirectly
Pratten Construction Limited	Dormant	Indirectly
Samuel Wren & Sons Limited	Dormant	Indirectly
Cowlin Developments Limited	Dormant	Indirectly

All the subsidiaries have only ordinary share capital, are wholly owned and are registered in England and Wales. Cowlin Group Limited directly or indirectly holds 100% of the voting rights of each subsidiary.

13. STOCKS

Group	2009 £	2008 £
Raw materials and consumables	6,341	8,330
Long-term contract balances	8,348,000	10,927,000
	<u>8,354,341</u>	<u>10,935,330</u>
Less applicable payments on account	(8,348,000)	(10,927,000)
	<u>6,341</u>	<u>8,330</u>

14. DEBTORS

Group	2009 £	2008 £
Trade debtors	16,932,580	17,299,973
Amounts recoverable on contracts	458,000	12,543,326
Other debtors	52,417	1,693,784
Deferred tax assets (see note 17)	109,904	41,647
Prepayments and accrued income	384,816	441,135
	<u>17,937,717</u>	<u>32,019,865</u>

Included in trade debtors are retentions of £8,367,937 (2008 £7,718,810) of which £2,736,000 (2008 £4,273,576) may be due after more than one year.

COWLIN GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2009

14 DEBTORS (continued)

	2009	2008
Company	£	£
Amounts owed by subsidiary undertakings	2,740,000	2,740,000
Other debtors	-	19,456
Deferred tax assets	39,200	39,200
	<u>2,779,200</u>	<u>2,798,656</u>

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2009	2008
Group	£	£
Obligations under finance leases and hire purchase contracts (note 16)	4,496	41,861
Trade creditors	35,286,576	48,561,138
Corporation tax	3,117,700	-
Other creditors including taxation and social security	2,860,466	1,246,070
Accruals and deferred income	1,621,990	908,057
	<u>42,891,228</u>	<u>50,757,126</u>

Company	£	£
Amounts owed to subsidiary undertakings	31,915	31,915
Accruals and deferred income	110,035	110,035
	<u>141,950</u>	<u>141,950</u>

16 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2009	2008
Group	£	£
Amounts owed under hire purchase contracts and finance leases	<u>-</u>	<u>7,021</u>
Company	£	£
Amounts owed to subsidiary undertakings	<u>53,000</u>	<u>53,000</u>

COWLIN GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2009

16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (continued)

Lease purchase obligations

The net lease purchase obligations, shown within other creditors, to which the group is committed are

Group	2009 £	2008 £
In one year or less	4,496	41,861
Between one and two years	-	7,021
	<u>4,496</u>	<u>48,882</u>

Assets purchased under lease purchase arrangements are held as security for the related lease obligations

17 DEFERRED TAX	2009 £	2008 £
Opening deferred tax asset	41,647	40,200
<i>Movement in profit and loss account</i>		
Short-term timing differences and accelerated capital allowances	73,420	(3,716)
Share-based payments	(5,163)	5,163
Closing deferred tax asset	<u>109,904</u>	<u>41,647</u>

Deferred tax asset consists of the following amount

Group	£	£
Debtors (note 14)		
Short-term timing differences	77,000	-
Share-based payments	-	5,163
Accelerated capital allowances	32,904	36,484
Total deferred tax recognised in debtors	<u>109,904</u>	<u>41,647</u>

The deferred tax asset in respect of the pension deficit of £63,000 (2008 £124,000) is shown netted off the pension scheme liability (see note 23)

COWLIN GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2009

17. DEFERRED TAX (continued)

	2009	2008
Company	£	£
Debtors (note 14)		
Short-term timing differences	39,200	39,200
Total deferred tax asset recognised in debtors	<u>39,200</u>	<u>39,200</u>

The deferred tax asset in respect of the pension deficit of £63,000 (2008 £124,000) is shown netted off the pension scheme liability (see note 23)

18. CALLED UP SHARE CAPITAL

	2009	2008
	£	£
Authorised		
14,289 'A' ordinary shares of £1 each	14,289	14,289
14,289,000 'B' ordinary shares of £0.035 each	500,115	500,115
31,394,000 'C' ordinary shares of £0.035 each	1,098,790	1,098,790
126,394 Ordinary shares of £1 each	126,394	126,394
	<u>1,739,588</u>	<u>1,739,588</u>
	£	£
Called up, allotted and fully paid		
14,289 'A' ordinary shares of £1 each	14,289	14,289
14,289,000 'B' ordinary shares of £0.035 each	500,115	500,115
31,394,000 'C' ordinary shares of £0.035 each	1,098,790	1,098,790
126,394 Ordinary shares of £1 each	126,394	126,394
	<u>1,739,588</u>	<u>1,739,588</u>

The ordinary shares are classified as equity shares in the balance sheet in accordance with FRS 25, as they have no redemption rights or guaranteed right to dividends. The ordinary shares, 'A' ordinary shares, 'B' ordinary shares and 'C' ordinary shares rank pari passu.

COWLIN GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2009

19. RECONCILIATION OF PROFIT AND LOSS ACCOUNT

Group	£	
At 1 January 2009	4,761,435	
Profit for the financial year	3,122,507	
Actuarial gain reflected in statement of total recognised gains and losses	47,520	
At 31 December 2009	7,931,462	
Company	£	
At 1 January 2009	2,474,271	
Loss for the financial year	(19,453)	
At 31 December 2009	2,454,818	

20. RECONCILIATION OF MOVEMENTS ON RESERVES AND SHAREHOLDERS' FUNDS

Group	2009 £	2008 £
Profit for the financial year	3,122,507	4,337,310
Movements related to share-based payments	27,000	18,440
Actuarial gain reflected in the statement of total recognised gains and losses	47,520	18,143
Net addition to shareholders' funds	3,197,027	4,373,893
Opening shareholders' funds	7,331,500	2,957,607
Closing shareholders' funds	10,528,527	7,331,500
Company	£	£
(Loss)/profit for the financial year	(19,453)	39,741
Net (reduction)/addition to shareholders' funds	(19,453)	39,741
Opening shareholders' funds	4,990,145	4,950,404
Closing shareholders' funds	4,970,692	4,990,145

COWLIN GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

21 OPERATING LEASES

At 31 December 2009 and 31 December 2008 the group had annual commitments under non-cancellable operating leases as follows

	2009 £	2008 £
Plant and machinery leases terminating		
- within one year	8,626	99,058
- between two and five years	357,133	183,339
	<u>365,759</u>	<u>282,397</u>

22. CONTINGENT LIABILITIES

Banking arrangements

Overdraft facilities

The company participates in an arrangement with HSBC Bank plc whereby the accounts of the eight companies in the Cowlin Group Limited group, 'the guarantors', are combined, with cleared debit and credit balances being offset for interest calculation purposes

Each of the guarantors has provided a fixed and floating charge over all assets, first legal charges over freehold properties, and unlimited multilateral company guarantees securing the liabilities of each other

23 PENSION SCHEME

The group 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 2008. 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 2009.

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

	2009	2008	2007
Rate of increase in salaries	n/a	n/a	n/a
Rate of increase in inflation	2.70%	2.70%	3.40%
Rate of increase of Guaranteed Minimum Pensions (GMP) earned before 1 October 1990	2.70%	2.70%	3.40%
Rate of increase of Guaranteed Minimum Pensions (GMP) earned after 1 October 1990	2.70%	2.70%	3.40%
Rate of revaluation of deferred pensions	2.70%	2.70%	3.40%
Discount rate	6.50%	6.50%	5.90%

COWLIN GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2009

23 PENSION SCHEME (continued)

Fair value of assets and expected rates of return

	At 31 December 2009		At 30 December 2008		At 30 December 2007	
	Expected rate of return %	Fair value £'000	Expected rate of return %	Fair value £'000	Expected rate of return %	Fair value £'000
Managed funds						
Equity	7.45	321	6.70	268	8.00	347
Gilts	4.45	-	3.70	146	5.00	140
Corporate bonds	5.70	93	2.00	9	5.75	19
Cash	4.20	39	2.00	9	5.75	19
Property	6.45	67	5.70	57	7.00	88
		<u>520</u>		<u>480</u>		<u>594</u>
			2009	2008	2007	
			£'000	£'000	£'000	
Total fair value of assets			520	480	594	
Present value of scheme liabilities			(746)	(922)	(1,164)	
Deficit in the scheme			(226)	(442)	(570)	
Related deferred tax asset			63	124	171	
Net pension liability			<u>(163)</u>	<u>(318)</u>	<u>(399)</u>	
Analysis of amount charged to finance charges				2009	2008	
				£'000	£'000	
Expected return on pension scheme assets				26	56	
Interest on pension scheme liabilities				(53)	(68)	
Net finance charge				<u>(27)</u>	<u>(12)</u>	
Analysis of amount recognised in statement of total recognised gains and losses				£'000	£'000	
Actual return less expected return on pension scheme assets				52	(28)	
Changes in assumptions underlying the present value of the scheme liabilities				(108)	101	
Experience gains and losses arising on scheme's liabilities				122	(48)	
Actuarial gain recognised in statement of total recognised gains and losses				<u>66</u>	<u>25</u>	

COWLIN GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2009

23 PENSION SCHEME (continued)

	2009 £'000	2008 £'000
Movements in scheme deficit		
Deficit in scheme at beginning of year	(442)	(570)
Movement in year		
Contributions	177	115
Net finance charge	(27)	(12)
Actuarial gain	66	25
Deficit in scheme at end of year	(226)	(442)

There was no current service charge for the year (2008 £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

History of experience gains and losses

	2009	2008	2007	2006	2005
Actual return less expected return on scheme assets (£'000)	52	(28)	(1)	24	72
Percentage of scheme's assets	10.0%	5.8%	0.2%	3.9%	14.8%
Experience gains and losses arising on scheme's liabilities (£'000)	122	(48)	(5)	-	-
Percentage of the present value of the scheme's liabilities	16.4%	5.2%	0.8%	-	-
Changes in the assumptions underlying the present value of the scheme's liabilities (£'000)	(108)	101	(165)	(41)	(54)
Percentage of the present value of the scheme's liabilities	11.7%	10.9%	27.8%	3.7%	5.3%
Total amount recognised in the STRGL (£'000)	66	25	(171)	(17)	18
Percentage of the present value of the scheme's liabilities	7.2%	2.7%	28.8%	1.5%	1.8%

24 RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption under FRS 8 not to disclose transactions with other companies wholly owned within the Balfour Beatty plc group

COWLIN GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

25. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

These financial statements are the smallest in which the company's results are consolidated. The largest group of which the company is a member and for which group accounts are prepared is that headed by Balfour Beatty plc.

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.