

S63275

COSWAY INTERNATIONAL LIMITED

STATEMENT OF ACCOUNTS

FOR THE YEAR ENDED

31 DECEMBER 1989

**KPMG Peat Marwick McLintock
Chartered Accountants,
GUILDFORD**

COSTAIN INTERNATIONAL LIMITED

REPORT OF THE DIRECTORS

For the year ended 31 December 1989

BUSINESS REVIEW

The company continued to carry out its principal activities of building, civil engineering, construction, geotechnical services and maintenance of petrochemical process plants.

In addition to the United Kingdom the company is active in Asia, the Middle East, Africa and the Far East.

£

Loss for the year	(2,758,546)
Less taxation	<u>931,384</u>
Loss after taxation	(1,827,162)
Distributable reserves brought forward	<u>9,048,948</u>
Distributable reserves carried forward	<u>7,221,786</u>

DIRECTORS AND SHARE INTERESTS

		At <u>1.1.89</u>	At <u>31.12.89</u>
A.J.D. Franklin - (appointed 30.6.89)			
- Chairman from 20.9.89			
J.W.H. Lawson - Managing Director	a	2,330	3,063
from 20.9.89	e	1,273	29,852
J.E. Langford - (Chairman to 20.9.89)			
J.E. Metzner	a	9,848	8,198
	a#	175,000	175,000
	e	NIL	12,210
P.F. Woods	a	2,543	2,257
	e	NIL	12,523
J.R. Young	a	4,225	5,010
	e	NIL	15,630
G.C. Trayling	a	3,578	3,710
D.S. Greenwood	a	765	1,441
	e	2,547	17,462
R.C. Ingoldby - (resigned 31.12.89)	a	15,956	14,387

COSTAIN INTERNATIONAL LIMITED

REPORT OF THE DIRECTORS (continued)

For the year ended 31 December 1989

DIRECTORS AND SHARE INTERESTS (continued)

L.F.C. Tarrant - (Managing Director
resigned 30.6.89)

M.S. Padmore - (resigned 30.9.89)

K.C. Harrison - (resigned 30.11.89)

a - Costain Group PLC shares of 25p each

a# - Non-beneficial

e - Options to acquire Costain Group PLC shares of 25p each.

BY ORDER OF THE BOARD



G. LANGHAM
SECRETARY

REGISTERED OFFICE

111 Westminster Bridge Road
London SE1 7UE

Date: 9 APR 1990

REPORT OF THE AUDITORS TO THE MEMBERS OF
COSTAIN INTERNATIONAL LIMITED

We have audited the accounts on pages 4 to 14 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of the company's affairs at 31 December 1989 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Without qualifying our opinion above we draw attention to the fact that the accounts do not include a statement of source and application of funds and thus do not comply with Statement of Standard Accounting Practice 10.

KPMG Peat Marwick McLintock,

.....KPMG Peat Marwick McLintock.....
Chartered Accountants,
GUILDFORD

Dated this 9 April 1990.....

COSTAIN INTERNATIONAL LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 31 December 1989

		1989 £	1988 £
Turnover	2	30,725,733	28,506,357
Cost of sales		(34,027,819)	(28,171,730)
Gross Profit		(3,302,086)	334,627
Interest receivable:			
- on amounts due from fellow subsidiary companies		1,108,542	1,353,184
- external		20,914	41,029
		(2,172,630)	1,728,840
Administrative expenses		(247,803)	(306,584)
Interest payable	4	(338,113)	(227,553)
<u>(Loss)/Profit on ordinary activities before taxation</u>	3	(2,758,546)	1,194,703
Taxation	7	(931,384)	596,270
<u>(Loss)/Profit before extraordinary item</u>		(1,827,162)	598,433
Extraordinary item	8	-	23,937
Amount available for ordinary shareholders		(1,827,162)	622,370
Interim Dividend		-	399,000
<u>(Deficit)/Profit retained for the year</u>	17	(1,827,162)	223,370

THE NOTES ON PAGES 6 TO 14 FORM PART OF THESE ACCOUNTS

COSTAIN INTERNATIONAL LIMITED

BALANCE SHEET

As at 31 December 1989

		1989 £	1988 £
<u>Fixed assets</u>			
Tangible assets	9	1,414,830	1,534,338
Investments	10	2	273,674
		<hr/>	<hr/>
		1,414,832	1,808,012
<u>Current assets</u>			
Debtors	11	13,253,149	17,916,528
Cash at bankers, monies on deposit and in hand	12	16,949,351	13,830,300
		<hr/>	<hr/>
		30,202,500	31,746,828
<u>Current liabilities</u>			
<u>Creditors: amounts falling due within one year</u>			
Borrowings	13	7,594,789	6,882,823
Other creditors	14	15,240,657	16,002,969
		<hr/>	<hr/>
<u>Net current assets</u>		7,367,054	8,861,036
		<hr/>	<hr/>
<u>Total assets less current liabilities</u>		8,781,886	10,669,048
<u>Deferred tax asset</u>	15	240,000	180,000
		<hr/>	<hr/>
<u>Net assets</u>		9,021,886	10,849,048
		<hr/>	<hr/>
<u>Capital and reserves</u>			
Called up share capital	16	1,800,100	1,800,100
Profit and loss account	17	7,221,786	9,048,948
		<hr/>	<hr/>
<u>Shareholders' funds</u>		9,021,886	10,849,048
		<hr/>	<hr/>

.....Director

.....Director

Dated this 15th APR 1990

THE NOTES ON PAGES 6 TO 14 FORM PART OF THESE ACCOUNTS

COSTAIN INTERNATIONAL LIMITED

NOTES ON THE ACCOUNTS

31 December 1989

1. Accounting policies

ACCOUNTING CONVENTION

The accounts are prepared under the historical cost convention.

TURNOVER

Turnover represents increases in valuation of long term contracts, including amounts applicable to contracts completed in prior years, and the amount receivable in the ordinary course of business for goods sold and for services provided and includes the appropriate proportions of turnover of joint ventures.

PROFIT ON ORDINARY ACTIVITIES

Profit on ordinary activities includes the results of current long term contracts based on agreed certificates and on valuations by officials of the company and the appropriate proportions of the results of joint ventures. It also includes residual profits and losses on long term contracts completed in prior years.

INTEREST PAYABLE

Interest is normally written off to profit and loss account as it is incurred.

DEFERRED TAXATION

Deferred taxation is provided at the latest relevant rate of corporation tax of 35% on the excess of the book values of fixed assets over the corresponding written down values for taxation purposes and on other timing differences.

FOREIGN CURRENCIES

Monetary assets and liabilities in overseas currencies have been expressed in sterling at the rates of exchange ruling at 31 December. Differences on all other monetary items and on transactions completed in the ordinary course of business are dealt with in profit on ordinary activities.

DEPRECIATION OF TANGIBLE ASSETS

Depreciation is provided to write off the cost of tangible assets on a straight line basis as follows:

	Percentage per annum
Fixed plant, computers, furniture and fittings	10 - 50
Leases with less than fifty years unexpired are written off over their remaining lives	

COSTAIN INTERNATIONAL LIMITED

NOTES ON THE ACCOUNTS (continued)

31 December 1989

1. Accounting policies continued

PENSIONS

The provisions of Statement of Standard Accounting Practice 24, "Accounting for pension costs" have been adopted with effect from 1 January 1989. The expected cost of pensions in respect of the defined benefit pension scheme in which the company participates is charged to the profit and loss account so as to spread the cost of pensions over the service lives of employees in the scheme.

LONG TERM CONTRACTS IN PROGRESS

Amounts recoverable on contracts represent the excess of the value of work carried out over cumulative payments on account.

Long term contracts are valued at cost plus attributable profit earned to date less provision for foreseeable loss. Cost comprises direct materials, direct labour and attributable overheads. Attributable profit is that part of the total profit currently expected to arise over the duration of each contract which fairly reflects the profit attributable to the work performed by the balance sheet date. A foreseeable loss is that which is currently estimated to arise over the duration of any contract irrespective of the amount of work carried out.

The provisions of Statement of Standard Accounting Practice 9 (revised) 'Stocks and Long Term Contracts' have been adopted with effect from 1 January 1989. Comparative figures have been amended accordingly.

2. Turnover

Geographical analysis:	1989 £	1988 £
Rest of World	19,896,286	24,295,132
United Kingdom	10,829,447	4,211,225
	<hr/>	<hr/>
	30,725,733	28,506,357
	<hr/>	<hr/>

COSTAIN INTERNATIONAL LIMITED

NOTES ON THE ACCOUNTS (continued)

31 December 1989

3. Profit on ordinary activities before taxation

	1989 £	1988 £
Profit on ordinary activities is after charging:		
Emoluments of directors (note 6)	517,101	447,710
Depreciation (note 9)	738,146	471,030
Hire of plant and machinery	885,769	879,695
Auditors' remuneration and after crediting	33,225	27,873
Profit on sale of plant and equipment	329,127	249,277

4. Interest payable

On bank loans and overdrafts	338,113	227,553
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5. Staff costs

	1989 £	1988 £
Wages and salaries	10,484,366	6,312,662
Social security costs	680,638	333,274
Pension costs	-	19,426
Costain Employee Share Scheme	87,748	78,789
	11,252,752	6,744,151

The average weekly number of employees during the year in the United Kingdom was 207 and overseas was 697 (1988 84 and 955 respectively).

In addition, the average weekly number of staff seconded from a fellow subsidiary company who worked during the year for the company in the United Kingdom was 120 and overseas was Nil (1988 105 and NIL respectively).

The company participates in one of the Group's UK defined benefit pension schemes. The schemes provide benefits based on final pensionable salary.

The liabilities of the schemes are secured by assets which are held in funds administered by trustees and which are separate from the finances of the Group. The contributions are based on pension costs as a whole across all the participating companies and are determined by a qualified actuary on the basis of triennial valuations. The actuarial valuation prepared as at 31st March 1989 is the most recent valuation and details are disclosed in the accounts of Costain Group PLC.

COSTAIN INTERNATIONAL LIMITED

NOTES ON THE ACCOUNTS (continued)

31 December 1989

6. Emoluments of directors

Emoluments, excluding pension scheme contributions of directors whose duties are wholly or mainly discharged in the United Kingdom.

Directors	1989	1988
£ 5,001 - £10,000	1	-
£30,001 - £35,000	-	3
£35,001 - £40,000	1	4
£40,001 - £45,000	3	1
£45,001 - £50,000	4	1
£50,001 - £55,000	1	-
£75,001 - £80,000	-	1
£100,001 - £105,000	1	-

The emoluments of the two Chairmen during 1989 amounted to £72,916 and £ Nil (1988 one Chairman £79,167).

The emoluments of the highest paid director were £101,835 (1988 £79,167)

7. Taxation

	1989 £	1988 £
On Profits for the year:		
United Kingdom corporation tax at 35% (1988 35%)	-	167,871
Less relief for overseas taxation	-	(58,779)
Net United Kingdom corporation tax	-	109,092
Group relief	(895,083)	-
Overseas taxation	22,570	59,548
Deferred taxation	(63,679)	243,384
	(936,192)	412,024
Adjustments in respect of prior years:		
United Kingdom corporation tax	(6,269)	(871,179)
Less relief for overseas taxation	40,639	(104,179)
	34,370	(975,358)
Overseas taxation	(33,241)	124,837
Group relief	-	1,072,151
Deferred taxation	3,679	(37,384)
	4,808	184,246
	(931,384)	596,270

COSTAIN INTERNATIONAL LIMITED
NOTES ON THE ACCOUNTS (continued)
31 December 1989

		1989	1988	
		£	£	
8.	<u>Extraordinary items</u>			
	Extraordinary credit:			
	Write back of investment in related company	-	23,937	
		<u> </u>	<u> </u>	
9.	<u>Tangible assets</u>			
	Land and buildings short leasehold	Plant and equipment	Total	
	£	£	£	
	<u>Cost</u>			
	At 1 January 1989	551,462	5,651,464	6,202,926
	Currency realignment	68,746	608,987	677,733
	Additions	-	531,787	531,787
	Disposals	-	(1,352,254)	(1,352,254)
		<u> </u>	<u> </u>	<u> </u>
	At 31 December 1989	620,208	5,439,984	6,060,192
		<u> </u>	<u> </u>	<u> </u>
	<u>Depreciation</u>			
	At 1 January 1989	542,486	4,126,102	4,668,588
	Currency realignment	67,627	448,956	516,583
	Provisions	10,095	728,051	738,146
	Disposals	-	(1,277,955)	(1,277,955)
		<u> </u>	<u> </u>	<u> </u>
	At 31 December 1989	620,208	4,025,154	4,645,362
		<u> </u>	<u> </u>	<u> </u>
	<u>Net book value</u>			
	At 31 December 1989	-	1,414,830	1,414,830
		<u> </u>	<u> </u>	<u> </u>
	At 31 December 1988	8,976	1,525,362	1,534,338
		<u> </u>	<u> </u>	<u> </u>

COSTAIN INTERNATIONAL LIMITED

NOTES ON THE ACCOUNTS (continued)

31 December 1989

10. Investments

	<u>Subsidiaries</u>	<u>Related</u> <u>Companies</u>	<u>Total</u>
	<u>£</u>	<u>£</u>	<u>£</u>
<u>Unlisted</u>			
<u>Cost</u>			
At 1 January 1989	2	658,493	658,495
Transfer to other Group Company	-	(658,493)	(658,493)
	<u> </u>	<u> </u>	<u> </u>
At 31 December 1989	2	-	2
	<u> </u>	<u> </u>	<u> </u>
<u>Amounts written off</u>			
At 1 January 1989	-	384,821	384,821
Transfer to other Group Company	-	(384,821)	(384,821)
	<u> </u>	<u> </u>	<u> </u>
At 31 December 1989	-	-	-
	<u> </u>	<u> </u>	<u> </u>
<u>Net book value</u>			
At 31 December 1989	2	-	2
	<u> </u>	<u> </u>	<u> </u>
At 31 December 1988	2	273,672	273,674
	<u> </u>	<u> </u>	<u> </u>

Investments in subsidiaries and related companies

	<u>Class of capital held</u> <u>and percentage held</u>
<u>Subsidiary Company</u>	
CPI Consearch Limited	Ordinary 100%

The company is incorporated in Great Britain and registered in England.

COSTAIN INTERNATIONAL LIMITED
NOTES ON THE ACCOUNTS (continued)
31 December 1989

	1989 £	1988 £
11. <u>Debtors</u>		
Amounts falling due within one year:		
Trade debtors	1,510,528	808,173
Other debtors	33,962	77,499
Amounts recoverable on completed contracts and joint venture balances	5,030,209	4,756,533
Amounts recoverable on long term contracts in progress	2,521,894	3,617,300
Prepayments and accrued income	134,930	433,100
Amounts owing by holding and fellow subsidiary companies	3,967,859	7,950,135
Amounts owing by related companies	53,767	273,788
	<u>13,253,149</u>	<u>17,916,528</u>

12. Cash at bankers, monies on deposit and in hand

One of the company's bankers has the right to set off the company's bank balances with that bank when in credit against borrowings by Richard Costain Ltd.

13. Borrowings

	1989 Bank loans and Overdrafts £	1988 Bank loans and Overdrafts £
Due within one year	<u>7,594,789</u>	<u>6,882,823</u>

COOSTAIN INTERNATIONAL LIMITED
NOTES ON THE ACCOUNTS (continued)
31 December 1989

	1989	1988		
	£	£		
14. <u>Creditors: amounts falling within one year</u>				
Trade creditors	8,650,182	7,722,632		
Credit balances on long term contracts in progress	2,182,772	-		
Credit balances on completed contracts and joint venture balances	94,285	81,893		
Accruals and deferred income	3,360,852	6,857,939		
Amounts owing to related companies	33,011	9,594		
Amounts owing to holding and fellow subsidiary companies	551,909	317,882		
Taxation	367,646	614,029		
Dividends	-	399,000		
	<hr/>	<hr/>		
	15,240,657	16,002,969		
	<hr/>	<hr/>		
15. <u>Deferred tax (asset)</u>				
		1989		
		£		
At 1 January 1989		180,000		
Transfer from profit and loss account		60,000		
		<hr/>		
At 31 December 1989		240,000		
		<hr/>		
16. <u>Share capital</u>				
	1989	1989	1988	1988
	£	£	£	£
	<u>Authorised</u>	<u>Issued</u>	<u>Authorised</u>	<u>Issued</u>
Ordinary shares of £1 each, fully paid	1,800,100	1,800,100	1,800,100	1,800,100

COSTAIN INTERNATIONAL LIMITED

NOTES ON THE ACCOUNTS (continued)

31 December 1989

17. Profit and loss account

	£
At 1 January 1989	9,048,948
Deficit for the year	1,827,162
	<hr/>
At 31 December 1989	7,221,786
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18. Consolidated accounts

Consolidated accounts have not been prepared as the company at 31 December 1989 was a wholly owned subsidiary of Costain Group PLC, its ultimate holding company, which is a company incorporated in Great Britain and registered in England.

VALFRA ENGINEERING CO. LTD.

Special Audit Report in compliance with Paragraph 10
Schedule 8 of the Companies Act 1985 for the year
ended 31st August, 1989

The Accounts annexed hereto have been prepared on the basis
of the modifications available to small companies under
Paragraph 10 Schedule 8 of the Companies Act 1985.

In our opinion, for the year ended 31st August, 1989 the
Company is entitled to the modifications available to a small
Company and the accounts have been properly prepared in
accordance with Paragraph 10 Schedule 8 of the Companies
Act 1985.

We reproduce below our audit report to the members of the
Company on the full accounts (not appended hereto) for the
year ended 31st August, 1989

"We have audited the annexed Accounts in accordance with
approved Auditing Standards. In our opinion the accounts
which have been prepared on the basis of the accounting
policies set out on the annexed notes give a true and fair
view of the state of the company's affairs at 31st August
1989 and of the loss for the year ended that date and
comply with the Companies Act 1985"

E.L. SCOTT & CC.

Chartered Accountants