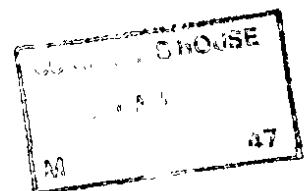


Costain Civil Engineering Limited

**STATEMENT OF ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1990**



KPMG Peat Marwick McLintock

Chartered Accountants

GUILDFORD

110201

Costain Civil Engineering Limited
REPORT OF THE DIRECTORS
For the year ended 31 December 1990

BUSINESS REVIEW

The company continued to carry out its principal activity of civil engineering contracting, and whilst market conditions remained difficult in 1990 it achieved its anticipated turnover which was largely obtained in the public sector. At the year end the order book was satisfactory and in line with both previous periods and the current economic influences.

As at 1 January 1990, all assets, liabilities and the trade of Costain International Limited were transferred to Costain Civil Engineering Limited.

	£
Profit for the year	9,796,196
Taxation	<u>1,025,427</u>
	8,770,769
Interim dividend	<u>900,000</u>
	7,870,769
 Distributable reserves brought forward	 <u>1,935,555</u>
Distributable reserves carried forward	<u>9,806,324</u>

DIRECTORS AND SHARE INTERESTS

			At 1.1.90	At 31.12.90
A.J.D. Franklin	- Chairman			
G.V. May	- Managing Director (UK)	a	4,782	4,904
		e	27,593	42,684
J.W.H. Lawson	- Managing Director	a	3,063*	3,234
	- (International)	e	34,442*	37,954
	- (appointed 1.6.90)			
L.T. Eames		a	12,197	11,947
		e	29,673	36,424
D.W.E. Gardner		a	1,195	1,260
		e	25,516	33,340
P.F. Woods		a	2,257	1,395
		e	12,523	23,848
R.M. Jones		a	8,160	8,160
		e	29,405	35,798
P.J.O. Burgess	- (resigned 30.4.90)			
J.E. Langford	- (resigned 3.10.90)			

* at subsequent date of appointment

a - Costain Group PLC shares of 25p each

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

Costain Civil Engineering Limited
REPORT OF THE DIRECTORS continued
For the year ended 31 December 1990

EMPLOYMENT OF DISABLED PERSONS

It is the company's policy to give full and fair consideration to applications for employment made by disabled persons, to continue wherever possible the employment of and to arrange appropriate training for those who become disabled and to provide equal opportunities for the training and career development of disabled employees.

EMPLOYEE INVOLVEMENT

The Costain Group provides information to its employees both of a general company nature and to encourage awareness of financial and economic factors which affect the company in various ways. These include a house newspaper, video recordings, circulation of press releases, management briefings on company results, a report to employees on the annual accounts of the Group and annual pension scheme reports.

Participation and involvement is encouraged through the Group's profit sharing and option schemes, regular management meetings with employees and through formal trade union channels.

BY ORDER OF THE BOARD


.....
B.W. RACE
SECRETARY

REGISTERED OFFICE:
111 Westminster Bridge Road
London SE1 7UE


Date:

Costain Civil Engineering Limited

**REPORT OF THE AUDITORS TO THE MEMBERS OF
COSTAIN CIVIL ENGINEERING LIMITED**

We have audited the accounts on pages 4 to 11 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 1990 and of its profit and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Peat Marwick McLintock

.....KPMG Peat Marwick McLintock.....

Chartered Accountants

GUILDFORD

Dated this3rd April 1991.....


Costain Civil Engineering Limited
PROFIT AND LOSS ACCOUNT
For the year ended 31 December 1990


	Notes	1990 £	1989 £
Turnover	1	323,792,561	239,532,782
Cost of sales		<u>322,912,774</u>	<u>236,668,916</u>
Gross profit		879,787	2,863,866
Dividends from subsidiary undertakings		7,349,786	313,000
Interest receivable:			
- on amounts due from group undertakings		4,365,437	2,008,262
external		<u>7,244</u>	<u>50,114</u>
		12,602,254	5,235,242
Administrative expenses		2,374,472	1,515,052
Interest payable	2	<u>431,586</u>	<u>-</u>
Profit on ordinary activities before taxation	3	9,796,196	3,720,190
Taxation	6	<u>1,025,427</u>	<u>1,375,495</u>
<u>Profit on ordinary activities after taxation</u>		8,770,769	2,344,695
Interim dividend		<u>900,000</u>	<u>1,667,000</u>
<u>Amount retained for the year</u>	16	<u>7,870,769</u>	<u>677,695</u>

THE NOTES ON PAGES 7 TO 11 FORM PART OF THESE ACCOUNTS

Costain Civil Engineering Limited
BALANCE SHEET
As at 31 December 1990

	Notes	1990 £	1989 £
<u>Fixed assets</u>			
Tangible assets	7	3,054,859	1,660,947
Investments	8	<u>2,092,758</u>	<u>292,658</u>
		5,147,617	1,953,605
<u>Current assets</u>			
Stock and long term contracts	9	946,932	749,963
Debtors	10	36,910,649	20,027,928
Cash at bankers, monies on deposit and in hand	11	<u>45,268,733</u>	<u>22,496,297</u>
		83,126,314	43,274,188
<u>Current liabilities</u>			
Creditors: amounts falling due within one year			
Borrowings	12	2,372,411	-
Other creditors	13	<u>70,912,424</u>	<u>41,064,566</u>
		73,284,835	41,064,566
<u>Net current assets</u>		<u>9,841,479</u>	<u>2,209,622</u>
<u>Total assets less current liabilities</u>		14,989,096	4,163,227
<u>Deferred taxation</u>	14	<u>1,162,000</u>	<u>7,000</u>
<u>Net assets</u>		<u>13,827,096</u>	<u>4,156,227</u>
<u>Capital and reserves</u>			
Called up share capital	15	3,892,858	2,092,758
Revaluation reserve	16	127,914	127,914
Profit and loss account	16	<u>9,806,324</u>	<u>1,935,555</u>
<u>Shareholders' funds</u>		<u>13,827,096</u>	<u>4,156,227</u>

.....  Director

.....  Director

Dated this 28 April 1991

THE NOTES ON PAGES 7 TO 11 FORM PART OF THESE ACCOUNTS

Costain Civil Engineering Limited
STATEMENT OF SOURCE AND APPLICATION OF FUNDS
As at 31 December 1990

	1990 £	1989 £
<u>Source of Funds</u>		
Profit on ordinary activities before taxation	9,796,196	3,720,190
Depreciation	<u>1,007,112</u>	<u>432,427</u>
Total generated by operations	<u>10,803,308</u>	<u>4,152,617</u>
Net additions to operating fixed assets	2,602,587	324,147
Taxation paid	1,673,327	24,736
Dividends paid	1,667,000	220,000
Provisions and long term creditors	240,000	67,000
Variations in working capital:		
Stocks and debtors	16,546,702	5,297,487
Creditors falling due within one year	<u>(32,567,784)</u>	<u>(13,317,096)</u>
	<u>(9,838,168)</u>	<u>(7,383,726)</u>
<u>Net Funds Generated by Operations</u>	20,641,476	11,536,343
Net exchange differences	(241,451)	-
Net additions to investments	<u>(1,800,100)</u>	<u>(292,658)</u>
<u>Net Funds Inflow</u>	<u>18,599,925</u>	<u>11,243,685</u>
Financed by:		
Issue of shares	1,800,100	292,658
Increase in borrowings	2,372,411	-
Increase in cash balances	<u>(22,772,436)</u>	<u>(11,536,343)</u>
	<u>(18,599,925)</u>	<u>(11,243,685)</u>

Costain Civil Engineering Limited
NOTES ON THE ACCOUNTS
31 December 1990

1. Accounting Policies

ACCOUNTING CONVENTION

The accounts are prepared under the historical cost convention.

TURNOVER

Turnover represents the value of work carried out during the year on long term contracts. Turnover includes the appropriate proportions of turnover of joint venture contracts.

TAXATION

Deferred taxation is provided at the latest relevant rates in respect of all timing differences which, in the opinion of the directors are expected to reverse in the foreseeable future.

FOREIGN CURRENCIES

Monetary assets and liabilities in overseas currencies have been translated into sterling at year end exchange rates. Exchange differences on such items and on transactions completed in the ordinary course of business are dealt with in profit on ordinary activities.

DEPRECIATION

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

	Percentage per annum
Freehold land and buildings	2 - 10
Long leasehold buildings	2 - 10
Plant and machinery	8 - 33
Leases with less than fifty years unexpired are written off over their remaining lives. No depreciation is provided on freehold land.	

LONG TERM CONTRACTS

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.

The company is a 10% participant in Transmanche-Link ("TML") the joint venture building the Channel Tunnel for Eurotunnel ("ET"). During the year ET put in place additional credit facilities amounting to £2,100 million and raised additional equity of £532 million to meet the total forecast costs of the project and to provide a contingency.

TML and ET have a number of significant issues unresolved regarding the contract works. At the date of the accounts, certain variation orders have been issued by ET and TML has also presented claims and requests for variation orders to ET. The variations and claims including those which have already been agreed in principle, are expected by TML to realise sufficient additional revenue to recover the latest forecast completion costs.

Accordingly, TML accounts have been approved on the basis that neither profit nor loss has been incurred on the contract at this stage, and this position has been reflected in the company's accounts.

PENSIONS

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.

ACCOUNTING STANDARDS

The accounts have been prepared in accordance with applicable accounting standards.

2. Interest payable

	1990 £	1989 £
On bank loans and overdrafts and on all external loans repayable within 5 years	423,073	-
On amounts due to group undertakings	<u>8,513</u>	<u>-</u>
	<u>431,586</u>	<u>-</u>

Costain Civil Engineering Limited
NOTES ON THE ACCOUNTS continued
31 December 1990

3. Profit on ordinary activities before taxation

Profit on ordinary activities is after charging:	1990	1989
	£	£
Staff costs (note 4)	36,802,736	16,007,464
Emoluments of directors (note 5)	391,929	332,775
Depreciation on assets owned by the company (note 7)	1,007,112	432,427
Hire of plant and machinery	15,616,529	7,139,897
Auditors' remuneration	<u>44,798</u>	<u>22,500</u>

4. Staff costs

	1990	1989
	£	£
Wages and salaries	33,180,804	14,252,317
Social Security costs	2,714,874	1,223,904
Pension costs	907,058	174,050
Costain Employee Share Scheme	-	357,193
	<u>36,802,736</u>	<u>16,007,464</u>

The average weekly number of persons employed by the company during the year in the United Kingdom was 831 and overseas was 365 (1989 273 and 0 respectively).

In addition, the average weekly number of staff seconded from a group undertaking who worked during the year for the company in the United Kingdom was 822 and overseas was 106 (1989 623 and 0 respectively).

The company participates in one of the Group's UK defined benefit pension schemes. The scheme's 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 undertakings participating in the scheme 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.

5. Emoluments of directors

Emoluments, excluding pension scheme contributions of directors.

Directors	1990	1989
Nil to £5,000	2	2
£20,001 - £25,000	1	-
£30,001 - £35,000	1	-
£45,001 - £50,000	-	1
£50,001 - £55,000	2	4
£55,001 - £60,000	1	-
£65,001 - £70,000	1	-
£75,001 - £80,000	-	1
£85,001 - £100,000	1	-

The emoluments of the Chairman during 1990 amounted to £99,430 (1989 two Chairmen £Nil and £21,607).

Costain Civil Engineering Limited
NOTES ON THE ACCOUNTS continued
31 December 1990

6. Taxation

	1990 £	1989 £
On profit for the year:		
United Kingdom corporation tax at 35% (1989 35%)	680,615	1,312,335
Overseas taxation	59,976	-
Deferred taxation	<u>229,097</u>	<u>(46,167)</u>
	969,688	1,266,168
Adjustments in respect of prior years:		
United Kingdom corporation tax	(177,988)	117,902
Group relief	(1,060,594)	12,335
	(1,238,582)	130,237
Overseas taxation	128,418	(77)
Deferred taxation	<u>1,165,903</u>	<u>(20,833)</u>
	55,739	109,327
	<u>1,025,427</u>	<u>1,375,495</u>

7. Tangible Assets

	<u>Land and buildings</u>			<u>Plant and equipment</u>	
		<u>Leasehold</u>			
		Over	50 years		
<u>Cost</u>	<u>Freehold</u>	<u>50 years</u>	<u>& under</u>	<u>Owned</u>	<u>Total</u>
	£	£	£	£	£
At 1 January 1990	232,346	220,000	-	2,750,651	3,202,997
Currency realignment	-	-	(99,636)	(731,850)	(831,486)
Additions	-	-	-	487,468	487,468
Disposals	-	-	(16,338)	(1,421,678)	(1,438,016)
Inter-Company transfers	<u>894,746</u>	<u>-</u>	<u>620,208</u>	<u>5,524,057</u>	<u>7,039,011</u>
At 31 December 1990	<u>1,127,092</u>	<u>220,000</u>	<u>504,234</u>	<u>6,608,648</u>	<u>8,459,974</u>
<u>Accumulated Depreciation</u>					
At 1 January 1990	18,828	2,200	-	1,521,022	1,542,050
Currency realignment	-	-	(99,636)	(530,287)	(629,923)
Provisions	6,833	4,400	-	995,879	1,007,112
Disposals	-	-	(16,338)	(1,241,321)	(1,257,659)
Inter-Company transfer	<u>32,739</u>	<u>-</u>	<u>620,208</u>	<u>4,090,588</u>	<u>4,743,535</u>
At 31 December 1990	<u>58,400</u>	<u>6,600</u>	<u>504,234</u>	<u>4,835,881</u>	<u>115</u>
<u>Net book value</u>					
At 31 December 1990	<u>1,068,692</u>	<u>213,400</u>	<u>-</u>	<u>1,772,767</u>	<u>3,054,859</u>
At 31 December 1989	<u>213,518</u>	<u>217,800</u>	<u>-</u>	<u>1,229,629</u>	<u>1,660,947</u>

Freehold land included above not subject to depreciation amounted to £785,424 (1989 £112,678).

Costain Civil Engineering Limited
NOTES ON THE ACCOUNTS continued
31 December 1990

8. Investments

Investment in subsidiary undertakings	£
At 1 January 1990	292,658
Additions	1,800,100
At 31 December 1990	<u>2,092,758</u>
	Class of capital held
<u>Subsidiary Undertakings</u>	<u>and % held of each class</u>
Costain International Ltd	Ordinary shares 100%
John Shelbourne & Co Ltd.	Ordinary shares 100%

All companies are incorporated in Great Britain and registered in England and Wales.

9. Stocks

	1990	1989
	£	£
Land development	17,000	17,000
Other stocks	<u>929,932</u>	<u>732,963</u>
	<u>946,932</u>	<u>749,963</u>

10. Debtors

Amounts falling due within one year:		
Trade debtors	7,272,088	3,066,089
Other debtors	675,010	110
Amounts recoverable on long term contracts and joint venture contract balances	21,389,704	12,133,007
Prepayments and accrued income	111,900	46,710
Amounts owing by group undertakings	7,272,434	4,468,932
Dividends receivable from subsidiary undertakings	128,000	313,000
Amounts owing by undertakings in which the group has a participating interest	<u>61,513</u>	<u>-</u>
	<u>36,910,649</u>	<u>20,027,928</u>

11. Cash at bank, monies on deposit and in hand

One of the company's bankers has the right to set off the company's bank balance when in credit against borrowings by Richard Costain Limited

12. Borrowings

	1990	1989
	Bank loans and overdrafts £	Bank loans and overdrafts £
Due within one year	<u>2,372,411</u>	<u>-</u>

Costain Civil Engineering Limited
NOTES ON THE ACCOUNTS continued
31 December 1990

13. Creditors: amounts falling due within one year

	1990 £	1989 £
Trade creditors	36,812,431	18,213,137
Other creditors and social security	1,290,334	162,330
Credit balances on long term contracts and joint venture balances	26,319,761	14,312,321
Amounts owing to group undertakings	4,971,383	5,102,364
Taxation	618,515	1,607,414
Dividends	900,000	1,667,000
	<u>70,912,424</u>	<u>41,064,566</u>

14. Deferred taxation

	At beginning of year £	Movement in year £	At end of year £
Deferred taxation	<u>7,000</u>	<u>1,155,000</u>	<u>1,162,000</u>

15. Share capital

	1990		1989
	Authorised £	Issued £	Authorised £
Ordinary shares of £1 each, fully paid	<u>5,000,000</u>	<u>3,892,858</u>	<u>2,500,000</u>
			<u>2,092,758</u>

During the year 1,800,100 ordinary shares with an aggregate nominal value of £1,800,100 were allotted for cash in connection with the acquisition of shares in Costain International Ltd.

16. Reserves

	Revaluation <u>reserve</u> £	Profit and loss <u>account</u> £
At 1 January 1990	127,914	1,935,555
Retained profit for the year	<u>-</u>	<u>7,870,769</u>
At 31 December 1990	<u>127,914</u>	<u>9,806,324</u>

17. Consolidated accounts

Consolidated accounts have not been prepared as the company at 31 December 1990 was a wholly owned subsidiary of Costain Group PLC, its ultimate parent company, which is a company incorporated in Great Britain and registered in England and Wales.