

COSTAIN BUILDING & CIVIL ENGINEERING LIMITED

REGISTERED NUMBER 1054232

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2004

KPMG Audit Plc
Chartered Accountants
Registered Auditor
GATWICK



COSTAIN BUILDING & CIVIL ENGINEERING LIMITED
REPORT OF THE DIRECTORS
For the year ended 31 December 2004

BUSINESS REVIEW

The company continued to carry out its principal activity of building and civil engineering contracting in Hong Kong.

The results for the year are set out in the Profit and Loss Account on page 6.

DIRECTORS AND SHARE INTERESTS

Directors who held office during the year and their disclosable interests in shares, as recorded in the register of directors' interests:

		At 01.01.04	At 31.12.04
S J Doughty*			
C J McCole*			
L T Eames	a	608	608
	c	28,350	28,350
	e	-	11,279
C L Franks	a	393	393
	b	149,031	149,031
	f	-	152,238
A J Handford	a	374	374
	b	135,618	135,618
	c	9,450	9,450
	e	-	5,639
	f	-	140,298
D H Jenkins	a	520	520
	b	162,444	162,444
	c	28,350	28,350
	d	5,000	-
	e	-	11,279
	f	-	168,656
S J Taylor (resigned 30.11.04)	a	512	512†
	b	160,953	160,953†
	d	5,000	-
	f	-	167,164†

- a - Costain Group PLC ordinary shares of 10p each.
- b - Options granted on 11 October 2002 to acquire Costain Group PLC ordinary shares under the 2002 Long Term Incentive Plan.
- c - Options granted on 22 October 2002 to acquire Costain Group PLC ordinary shares under the 2002 Save As You Earn Share Option Scheme.
- d - Options granted on 13 April 1994 to acquire Costain Group PLC ordinary shares under the Costain Executive Share Option Scheme. The Costain Executive Share Option Scheme ceased on 12 April 2004 at which time all options outstanding lapsed.

COSTAIN BUILDING & CIVIL ENGINEERING LIMITED
REPORT OF THE DIRECTORS
For the year ended 31 December 2004

- e - Options granted on 21 October 2004 to acquire Costain Group PLC ordinary shares under the 2004 Save As You Earn Share Option Scheme.
- f - Options granted on 21 April 2004 to acquire Costain Group PLC ordinary shares under the Long Term Incentive Plan
- * - The interests of these directors in the shares of Costain Group PLC are disclosed in the accounts of that company.
- † - As at date of resignation.

CREDITOR PAYMENT POLICY AND PRACTICE

As a result of the nature of the company's business, the contractual relationships with the suppliers of goods and services and with subcontractors vary according to circumstances. It is the company's policy to enter into an appropriate form of contractual agreement on payment terms and to pay according to those terms. The company does not follow any particular code of practice for the payment of creditors. In practice, the company makes every effort to pay when it can be confirmed that the supplier has provided the goods or services in accordance with the relevant terms of the contract. The amount for trade creditors shown in the balance sheet at the end of the financial year represents 70 days (2003: 115 days) of average daily purchases.

BY ORDER OF THE BOARD


CLIVE L FRANKS
SECRETARY

15 March 2005

REGISTERED OFFICE
Costain House, Nicholsons Walk,
Maidenhead, Berkshire SL6 1LN

COSTAIN BUILDING & CIVIL ENGINEERING LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES
For the year ended 31 December 2004

Company law requires the directors 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 for that period. In preparing those financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the applicable 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 proper accounting records, which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF COSTAIN
BUILDING & CIVIL ENGINEERING LIMITED**
For the year ended 31 December 2004

We have audited the financial statements on pages 5 to 14.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 4, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
KPMG Audit Plc
Chartered Accountants
Registered Auditor
GATWICK

15 March 2005
Date

COSTAIN BUILDING & CIVIL ENGINEERING LIMITED
PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2004

	Notes	2004 £	2003 £
Turnover	1/2	3,247,267	867,315
Cost of sales		(2,458,130)	(1,712,273)
		<hr/>	<hr/>
Gross profit/(loss)		789,137	(844,958)
Administrative expenses		(221,261)	(14,130)
		<hr/>	<hr/>
Operating profit/(loss)		567,876	(859,088)
		<hr/>	<hr/>
Profit/(loss) on ordinary activities before taxation		567,876	(859,088)
Taxation	6	(71,557)	425,235
		<hr/>	<hr/>
Profit/(loss) for the financial year		496,319	(433,853)
		<hr/>	<hr/>

There were no recognised gains or losses other than the profit for the year and the loss for the preceding year.

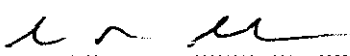
All operating profits are attributable to continuing operations.

THE NOTES ON PAGES 7 TO 14 FORM PART OF THESE ACCOUNTS

COSTAIN BUILDING & CIVIL ENGINEERING LIMITED
BALANCE SHEET
As at 31 December 2004

	Notes	2004 £	Restated 2003 £
Fixed assets			
Tangible assets	7	21,531	295
Investments	8	18,702,438	18,702,438
		<hr/>	<hr/>
		18,723,969	18,702,733
		<hr/>	<hr/>
Current assets			
Debtors	9	27,597,107	23,712,281
Cash at bank and in hand	10	663,988	671,202
		<hr/>	<hr/>
		28,261,095	24,383,483
Creditors: amounts falling due within one year	11	(27,864,894)	(24,462,365)
		<hr/>	<hr/>
Net current assets		396,201	(78,882)
		<hr/>	<hr/>
Total assets less current liabilities		19,120,170	18,623,851
		<hr/>	<hr/>
Creditors: amount falling due after more than one year	12	(5,000,000)	(5,000,000)
		<hr/>	<hr/>
Net assets		14,120,170	13,623,851
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	13	48,461,810	48,461,810
Profit and loss account	14	(34,341,640)	(34,837,959)
		<hr/>	<hr/>
Equity shareholders' funds	15	14,120,170	13,623,851
		<hr/>	<hr/>

The financial statements were approved by the Board of Directors on 15 March 2005 and were signed on its behalf by:

 Director
C J McCole

THE NOTES ON PAGES 7 TO 14 FORM PART OF THESE ACCOUNTS

COSTAIN BUILDING & CIVIL ENGINEERING LIMITED
NOTES TO THE ACCOUNTS
For the year ended 31 December 2004

1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

BASIS OF ACCOUNTING

The financial statements have been prepared in accordance with applicable United Kingdom Accounting Standards under the historical cost convention.

Interests in joint arrangements, which are not subsidiary undertakings, are accounted for by recognising the company's share of the assets and liabilities, profits, losses and cash flows, measured according to the terms of the arrangement.

The company is exempt by virtue of S228 of the Companies Act 1985 from the requirement to prepare group accounts. The financial statements present information about the company as an individual undertaking and not about its group.

CASH FLOW STATEMENT

Under Financial Reporting Standard 1 (revised), the company is exempt from the requirement to prepare a cash flow statement on the grounds that the ultimate parent company includes the company in its own published consolidated financial statements.

TURNOVER

Turnover represents the amounts (excluding value added tax) receivable for goods and services provided and the value of work carried out during the year on long term contracts. Turnover includes the company's share of turnover of joint arrangement contracts.

TAXATION

Deferred taxation has been recognised as a liability or asset, except as otherwise required by FRS 19 'Deferred Tax', if transactions have occurred at the balance sheet date that give rise to an obligation to pay more taxation in future, or a right to pay less taxation in future. An asset is not recognised to the extent that the transfer of economic benefit in future is uncertain. Deferred tax assets and liabilities recognised have not been discounted.

FOREIGN CURRENCY TRANSACTIONS

Monetary assets and liabilities denominated in foreign 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. Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction.

COSTAIN BUILDING & CIVIL ENGINEERING LIMITED
NOTES TO THE ACCOUNTS continued
For the year ended 31 December 2004

1. Accounting policies - continued

DEPRECIATION

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

	Percentage per annum
Fixed plant and equipment, furniture and fittings	10 - 33.3

LONG TERM CONTRACTS

Amounts recoverable on long term 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 losses.

PENSIONS

The company participates, on a defined contributions basis, in a pension scheme for the benefit of its seconded employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

The cost of pensions, in respect of the pension scheme in which the company participates, is charged to the profit and loss account and is equal to the contributions payable in the accounting period.

2. Geographical segment information

All turnover for 2004 and 2003 is derived from outside the United Kingdom.

3. Profit/(loss) on ordinary activities before taxation

Profit/(loss) on ordinary activities is stated after charging:

	2004 £	2003 £
Depreciation	1,757	1,712
Auditors' remuneration - audit fees	9,525	7,730
- other services	4,805	1,564
Exchange losses on foreign currency	299,274	553,497

4. Remuneration of directors

Emoluments paid to the directors of the company were £nil (2003: £nil).

COSTAIN BUILDING & CIVIL ENGINEERING LIMITED
NOTES TO THE ACCOUNTS continued
For the year ended 31 December 2004

5. Staff numbers and costs

The average number of persons employed by the company during the year, in the United Kingdom and overseas, were nil and 3 respectively (2003: nil and 6).

The aggregate payroll costs of these persons were as follows:

	2004	2003
	£	£
Wages & salaries	223,742	247,816
Pension costs	5,379	4,015
	<hr/>	<hr/>
	229,121	251,831
	<hr/>	<hr/>

The company incurs pension costs in respect of employees seconded from a group undertaking on a defined contributions basis. These seconded employees participate in the Costain Group's UK defined benefit pension scheme, which provides benefits based on final pensionable salary; details of this scheme are included in the accounts of Costain Group PLC.

The cost for the period of contributions to this scheme is included in the analysis above. There are no outstanding or prepaid contributions at the balance sheet date.

6. Taxation

	2004	2003
	£	£
On profit/(loss) for the year:		
UK corporation tax at 30%	(71,557)	-
Group relief receivable	-	425,235
	<hr/>	<hr/>
Tax on profit/(loss) on ordinary activities	(71,557)	425,235
	<hr/>	<hr/>
Tax reconciliation:	£	£
Profit/(loss) on ordinary activities before taxation	567,876	(859,088)
	<hr/>	<hr/>
Tax at 30%	(170,363)	257,726
Provision against investments	4,644	-
Sundry disallowed expenditure	(7,489)	(404)
Exchange differences	(43,008)	(45,828)
Group relief surrendered free of charge	22,373	-
Deferred tax not recognised	122,286	213,741
	<hr/>	<hr/>
Total current tax	(71,557)	425,235
	<hr/>	<hr/>

COSTAIN BUILDING & CIVIL ENGINEERING LIMITED
NOTES TO THE ACCOUNTS continued
For the year ended 31 December 2004

No deferred taxation has been recognised on the unremitted earnings of an overseas subsidiary as no dividends are proposed.

The Company has deferred taxation assets that have not been recognised on the basis that their future economic benefit was not assured as at the balance sheet date. Tax relief will be obtained if suitable profits arise in future accounting periods.

The full potential deferred taxation assets not recognised at 30% were:

	2004 £	2003 £
Accelerated capital allowances	365,287	487,573

7. Tangible fixed assets

Plant and Equipment

	£
Cost	
At 1 January 2004	34,032
Additions	24,094
Disposals	-
Foreign currency realignment	(3,502)

At 31 December 2004	54,624
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Depreciation

At 1 January 2004	33,737
Provisions	1,757
Disposals	-
Foreign currency realignment	(2,401)

At 31 December 2004	33,093
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Net book value

At 31 December 2004	21,531
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At 31 December 2003	295
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COSTAIN BUILDING & CIVIL ENGINEERING LIMITED
NOTES TO THE ACCOUNTS continued
For the year ended 31 December 2004

8. Investments	Subsidiary undertakings
	£
Cost	
At 1 January & 31 December 2004	40,478,060
	<hr/>
Amounts written off	
At 1 January & 31 December 2004	21,775,622
	<hr/>
Net book value	
At 1 January & 31 December 2004	18,702,438
	<hr/>

Investments in subsidiary undertakings

Subsidiary undertakings	Class of Capital held	%	Country of Incorporation	Nature of Business
Costain Ltd	Ordinary	100		Civil Engineering and Construction
Costain Construction Ltd	Ordinary	100		Construction
Costain International Ltd	Ordinary	100		Civil Engineering
Costain Management Design Ltd	Ordinary	100		Dormant
Westminster Plant Company Ltd	Ordinary	100		Plant Hire
Costain Dubai LLC	Ordinary	49	Dubai	Construction and Civil Engineering
Costain Abu Dhabi Co. WLL	Ordinary	49	Abu Dhabi	Process Engineering

Costain Dubai LLC and Costain Abu Dhabi Co. WLL are treated as subsidiary undertakings due to a dominant influence. All undertakings are incorporated in Great Britain and registered in England except where stated otherwise.

COSTAIN BUILDING & CIVIL ENGINEERING LIMITED
NOTES TO THE ACCOUNTS continued
For the year ended 31 December 2004

9. Debtors

	2004 £	2003 £
Trade debtors	1,243,009	340,038
Amounts recoverable on long term contracts	641,363	12,834
Amounts owing by group undertakings	24,216,842	22,717,626
Amounts owing by joint ventures	1,251,773	-
Other debtors	228,929	209,628
Prepayments and accrued income	15,191	6,920
Group relief	-	425,235
	<hr/>	<hr/>
	27,597,107	23,712,281
	<hr/>	<hr/>

10. Cash at bank and in hand

The company's bankers have the right to set off the company's bank balance when in credit against borrowings by Richard Costain Limited. Arrangements with Costain Group's bankers require that all cash balances are transferred to a fellow subsidiary, Richard Costain Limited, on a daily basis; such arrangements are commonplace in large groups and facilitate effective cash management. The company's cash balance is replaced with an inter-company receivable from Richard Costain Limited; as such the directly held cash balance at the balance sheet date reduces to nil, with the balance of £663,988 representing cash held in separate accounts, including within joint arrangements. The prior year cash and inter-company balances have been restated on a consistent basis to reflect this arrangement.

11. Creditors: amounts falling due within one year

	2004 £	2003 £
Trade creditors	430,409	238,728
Amounts owing to group undertakings	26,767,344	23,835,567
Amounts owed to joint ventures	14,264	78,816
Other creditors	173,934	1,685
Accruals	233,874	307,569
Social security including taxation	8,406	-
Corporation tax	71,557	-
	<hr/>	<hr/>
	27,699,788	24,462,365
Borrowings	165,106	-
	<hr/>	<hr/>
	27,864,894	24,462,365
	<hr/>	<hr/>

COSTAIN BUILDING & CIVIL ENGINEERING LIMITED
NOTES TO THE ACCOUNTS continued
For the year ended 31 December 2004

12.	Creditors: amounts falling due after more than one year	2004 £	2003 £
	Amounts owing to group undertakings	5,000,000	5,000,000

13. **Share capital**

	2004 and 2003	
	Authorised £	Issued and fully paid £
Ordinary shares of £1 each	52,000,000	48,461,810

14. **Reserves**

	Profit and loss £
At 1 January 2004	(34,837,959)
Profit for the financial year	496,319
At 31 December 2004	(34,341,640)

15. **Reconciliation of movements in shareholders' funds**

	2004 £	2003 £
Profit/(loss) for the financial year	496,319	(433,853)
Opening shareholders' funds	13,623,851	14,057,704
Closing shareholders' funds	14,120,170	13,623,851

16. **Contingent liabilities**

The company has entered into cross guarantees together with the ultimate parent company and certain fellow group undertakings for overdraft facilities made available to the group. At 31 December 2004 these liabilities amounted to £nil (2003: £nil).

There are also contingent liabilities in respect of performance bonds and other undertakings entered into in the ordinary course of business.

COSTAIN BUILDING & CIVIL ENGINEERING LIMITED
NOTES TO THE ACCOUNTS continued
For the year ended 31 December 2004

17. Related parties transactions

The company is exempt under Financial Reporting Standard 8 (FRS 8) from the requirement to disclose related party transactions with other group companies on the basis that it is a wholly owned subsidiary of the ultimate parent company, Costain Group PLC.

18. Joint arrangements

	Percentage Interest	Nature of Business	Country
Costain - China Harbour - Per Aarsleff	33.3%	Civil Engineering	Hong Kong

19. Ultimate parent company

The largest and smallest group of undertakings for which group accounts are drawn up is that of the ultimate parent company, Costain Group PLC, a company registered in England and Wales.

Copies of the group accounts of Costain Group PLC may be obtained from the registered office of the company, Costain House, Nicholsons Walk, Maidenhead, Berks. SL6 1LN.