

COSTAIN BUILDING & CIVIL ENGINEERING LIMITED

REGISTERED NUMBER 1054232

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2005

KPMG Audit Plc
Chartered Accountants
Registered Auditor
GATWICK



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COMPANIES HOUSE

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COSTAIN BUILDING & CIVIL ENGINEERING LIMITED
REPORT OF THE DIRECTORS
For the year ended 31 December 2005

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 5.

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 01.01.05	At 31.12.05
A Wyllie (appointed 12.09.05)*			
C J McCole*			
L T Eames	a	608	28,958
	c	28,350	28,350
	d	11,279	11,279
C L Franks	a	393	393
	b	149,031	149,031
	e	152,238	152,238
	f	-	150,638
A J Handford	a	374	374
	b	135,618	135,618
	c	9,450	9,450
	d	5,639	5,639
	e	140,298	140,298
	f	-	140,425
D H Jenkins	a	520	28,870
	b	162,444	162,444
	c	28,350	-
	d	11,279	11,279
	e	168,656	168,656
	f	-	163,404

S J Doughty (resigned 12.09.05)*

- a - Costain Group PLC ordinary shares of 5p each (2004: 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 21 October 2004 to acquire Costain Group PLC ordinary shares under the 2004 Save As You Earn Share Option Scheme.

COSTAIN BUILDING & CIVIL ENGINEERING LIMITED
REPORT OF THE DIRECTORS
For the year ended 31 December 2005

- e - Options granted on 21 April 2004 to acquire Costain Group PLC ordinary shares under the 2004 Long Term Incentive Plan
- f - Options granted on 26 April 2005 to acquire Costain Group PLC ordinary shares under the 2005 Long Term Incentive Plan
- * - The interests of these directors in the shares of Costain Group PLC are disclosed in the accounts of that company.

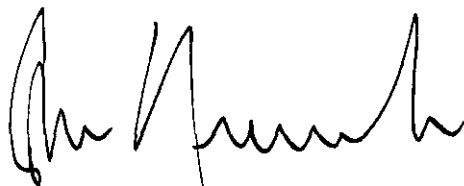
AUDITORS

Pursuant to a shareholders' resolution, the company is not obliged to re-appoint its auditors annually and KPMG Audit Plc will therefore continue in office.

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 72 days (2004: 70 days) of average daily purchases.

BY ORDER OF THE BOARD



CLIVE L FRANKS
SECRETARY
20 March 2006

REGISTERED OFFICE

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

COSTAIN BUILDING & CIVIL ENGINEERING LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE
DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS
For the year ended 31 December 2005

The directors are responsible for preparing the Directors' 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 UK Accounting Standards.

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its 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.

Under applicable law the directors are also responsible for preparing a Directors' Report that complies with that law.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF COSTAIN
BUILDING & CIVIL ENGINEERING LIMITED**
For the year ended 31 December 2005

We have audited the financial statements of Costain Building & Civil Engineering Limited for the year ended 31 December 2005 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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

As described in the Statement of Directors' Responsibilities on page 3, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 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

20 March 2006

Date

COSTAIN BUILDING & CIVIL ENGINEERING LIMITED
PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2005

	Notes	2005 £	2004 £
Turnover	1/2	5,497,095	3,247,267
Cost of sales		(6,376,733)	(2,458,130)
		<hr/>	<hr/>
Gross (loss)/profit		(879,638)	789,137
Administrative expenses		(243,643)	(221,261)
		<hr/>	<hr/>
Operating (loss)/profit		(1,123,281)	567,876
Non-operating exceptional items		121,107,142	-
		<hr/>	<hr/>
		119,983,861	567,876
Interest receivable		52,326	-
		<hr/>	<hr/>
Profit on ordinary activities before taxation		120,036,187	567,876
Taxation	6	(61,494)	(71,557)
		<hr/>	<hr/>
Profit on ordinary activities after taxation		119,974,693	496,319
Dividends paid		(75,000,000)	-
		<hr/>	<hr/>
Profit for the financial year		44,974,693	496,319
		<hr/>	<hr/>

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

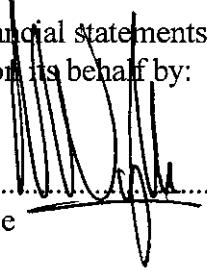
All operating profits are attributable to continuing operations.

THE NOTES ON PAGES 7 TO 14 FORM PART OF THESE FINANCIAL STATEMENTS

COSTAIN BUILDING & CIVIL ENGINEERING LIMITED
BALANCE SHEET
As at 31 December 2005

	Notes	2005 £	2004 £
Fixed assets			
Tangible assets	7	17,991	21,531
Investments	8	14,809,580	18,702,438
		<hr/>	<hr/>
		14,827,571	18,723,969
		<hr/>	<hr/>
Current assets			
Debtors	9	158,761,773	27,597,107
Cash at bank and in hand	10	659,745	663,988
		<hr/>	<hr/>
		159,421,518	28,261,095
Creditors: amounts falling due within one year	11	(110,064,497)	(27,864,894)
		<hr/>	<hr/>
Net current assets		49,357,021	396,201
		<hr/>	<hr/>
Total assets less current liabilities		64,184,592	19,120,170
Creditors: amount falling due after more than one year	12	(5,000,000)	(5,000,000)
Provision for liability and charges		(89,729)	-
		<hr/>	<hr/>
Net assets		59,094,863	14,120,170
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	13	48,461,810	48,461,810
Profit and loss account	14	10,633,053	(34,341,640)
		<hr/>	<hr/>
Equity shareholders' funds	15	59,094,863	14,120,170
		<hr/>	<hr/>

The financial statements were approved by the Board of Directors on 20 March 2006 and were signed on its behalf by:

..........Director
A Wyllie

THE NOTES ON PAGES 7 TO 14 FORM PART OF THESE FINANCIAL STATEMENTS

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 FINANCIAL STATEMENTS continued
For the year ended 31 December 2005

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 2005 and 2004 is derived from outside the United Kingdom.

3. Profit on ordinary activities before taxation

Profit on ordinary activities is stated after charging:

	2005 £	2004 £
Depreciation	6,382	1,757
Auditors' remuneration - audit fees	12,378	9,525
- other services	5,860	4,805
Exchange losses on foreign currency	304,534	299,274
Profit realised on the sale of the investment in Costain Ltd (see note 8)	121,107,142	-

4. Remuneration of directors

Emoluments paid to the directors of the company were £nil (2004: £nil).

COSTAIN BUILDING & CIVIL ENGINEERING LIMITED
NOTES TO THE FINANCIAL STATEMENTS continued
For the year ended 31 December 2005

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 (2004: nil and 6).

The aggregate payroll costs of these persons were as follows:

	2005	2004
	£	£
Wages & salaries	162,494	223,742
Pension costs	8,889	5,379
	<u>171,383</u>	<u>229,121</u>

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

	2005	2004
	£	£
On profit for the year:		
UK corporation tax at 30%	(61,494)	(71,557)
	<u>(61,494)</u>	<u>(71,557)</u>
Tax on profit on ordinary activities	(61,494)	(71,557)
	<u>(61,494)</u>	<u>(71,557)</u>
Tax reconciliation:	£	£
Profit on ordinary activities before taxation	120,036,187	567,876
	<u>120,036,187</u>	<u>567,876</u>
Tax at 30%	(36,010,856)	(170,363)
Profit on group transfer of subsidiary	36,332,143	-
Provision against investments	(480,000)	4,644
Sundry disallowed expenditure	(1,411)	(7,489)
Exchange differences	12,613	(43,008)
Group relief claimed free of charge	-	22,373
Deferred tax not recognised	86,017	122,286
	<u>(61,494)</u>	<u>(71,557)</u>
Total current tax	(61,494)	(71,557)

Taxation continued

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:

	2005 £	2004 £
Accelerated capital allowances	377,831	365,287

7. Tangible fixed assets

	Plant and Equipment £
Cost	
At 1 January 2005	54,624
Additions	645
Foreign currency realignment	6,591
	<hr/>
At 31 December 2005	61,860
	<hr/>
Depreciation	
At 1 January 2005	33,093
Provisions	6,382
Foreign currency realignment	4,394
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At 31 December 2005	43,869
	<hr/>
Net book value	
At 31 December 2005	17,991
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At 31 December 2004	21,531
	<hr/>

COSTAIN BUILDING & CIVIL ENGINEERING LIMITED
NOTES TO THE ACCOUNTS continued
For the year ended 31 December 2005

8. Investments

	Subsidiary undertakings £
Cost	
At 1 January 2005	40,478,060
Disposal of investment in Costain Ltd	(3,892,858)
Liquidation of investment in Costain Dubai LLC	(5,433,505)
	<hr/>
At 31 December 2005	31,151,697
	<hr/>
Amounts written off	
At 1 January 2005	21,775,622
Liquidation of investment in Costain Dubai LLC	(5,433,505)
	<hr/>
	16,342,117
	<hr/>
Net book value	
At 31 December 2005	14,809,580
	<hr/>
At 31 December 2004	18,702,438
	<hr/>

COSTAIN BUILDING & CIVIL ENGINEERING LIMITED
NOTES TO THE FINANCIAL STATEMENTS continued
For the year ended 31 December 2005

9. Debtors

	2005 £	2004 £
Trade debtors	2,380,520	1,243,009
Amounts recoverable on long term contracts	762,000	641,363
Amounts recoverable on completed contracts	170,250	-
Amounts owing by group undertakings	151,698,911	24,216,842
Amounts owing by joint ventures	3,329,028	1,251,773
Other debtors	418,166	228,929
Prepayments and accrued income	2,898	15,191
	<hr/>	<hr/>
	158,761,773	27,597,107
	<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 £659,745 (£663,988) representing cash held in separate accounts, including within joint arrangements.

11. Creditors: amounts falling due within one year

	2005 £	2004 £
Trade creditors	1,229,192	430,409
Payments received on account	192,421	-
Amounts owing to group undertakings	106,984,045	26,767,344
Amounts owed to joint ventures	66,483	14,264
Other creditors	322,196	173,934
Accruals	514,248	233,874
Social security including taxation	7,808	8,406
Corporation tax	61,494	71,557
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	109,377,887	27,699,788
Borrowings	686,610	165,106
	<hr/>	<hr/>
	110,064,497	27,864,894
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COSTAIN BUILDING & CIVIL ENGINEERING LIMITED
NOTES TO THE FINANCIAL STATEMENTS continued
For the year ended 31 December 2005

12.	Creditors: amounts falling due after more than one year	2005 £	2004 £
	Amounts owing to group undertakings	5,000,000	5,000,000
13.	Share capital	2005 and 2004 Authorised £	
	Ordinary shares of £1 each	52,000,000	Issued and fully paid £ 48,461,810
14.	Reserves		
		Profit and loss £	
	At 1 January 2005		
	Profit for the financial year		
	At 31 December 2005		
15.	Reconciliation of movements in shareholders' funds	2005 £	2004 £
	Profit for the financial year	44,974,693	496,319
	Opening shareholders' funds	14,120,170	13,623,851
	Closing shareholders' funds	59,094,863	14,120,170
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 2005 these liabilities amounted to £nil (2004: £nil).

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

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 A/S	45%	Civil Engineering	Hong Kong

19. Ultimate parent company

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

Copies of the group financial statements of Costain Group PLC may be obtained from the registered office of the company, Costain House, Nicholson's Walk, Maidenhead, Berkshire SL6 1LN.