

**COSTAIN BUILDING & CIVIL ENGINEERING LIMITED**

**REGISTERED NUMBER 1054232**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**31 DECEMBER 2008**

KPMG Audit Plc  
Chartered Accountants  
Registered Auditor  
LONDON

TUESDAY



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## **BUSINESS REVIEW**

The company operates as a holding company and in the civil engineering markets, outside the United Kingdom. The parent company, Costain Group PLC, announced in June 2007 that it was closing its International division of which the company formed part. As a result, the company is completing its remaining obligations overseas. The results for the year are shown on page 5.

The principal risks, which could affect the operations and consequently the results of the company, are:

- People – A flexible, highly skilled and well-motivated work force is essential to meeting the company's business objectives.
- Health and Safety – Safety is the number one priority within the company. It is a responsibility of both the company and individual employees to ensure that the company's operations are managed in a safe and healthy manner.
- Contract risk – The company is exposed to financial, brand and reputational risk if it fails to complete contracts on time or within the contract price or fails to comply with the contract specification.
- Contract disputes – The company takes a prudent view on valuing formal disputes on contracts. This will reduce the potential risk of over-valuation.
- Supply chain – The company is reliant on its supply chain and if a sub-contractor or supplier failed financially or was responsible for late or inadequate delivery or poor quality of work on a project then it could impact the company.
- Insurance – The company believes it has robust, comprehensive and adequate insurance cover but it recognises that a claim could be made against the company, which exceeds the limits of insurance cover or is in respect of a matter that is uninsurable.
- Environment – The company recognises that its activities could potentially have a significant influence upon the quality and diversity of the environment and that a breach of its environmental obligations could be damaging to the company.

The company considers the following Key Performance Indicators are the most effective measures of progress toward achieving its objectives: Profit before tax, Cash flow from operating activities and Accident Frequency Rate (AFR), which measures the number of lost time incidents per 100,000 of hours worked. The AFR for 2008 was 0.79. As part of monitoring these, every month, a Project Manager's Report is produced for each project and reviewed by senior management. This report contains a number of indicators regarding project performance: Health and Safety, Customer service, Programme, Financial performance, Claims and variations, Cash management, Resource levels and Risk management.

## **DIRECTORS**

The directors of the company who held office during the year were as follows:

A Wyllie  
A O Bickerstaff  
L T Eames\*  
C L Franks  
A J Handford  
D H Jenkins

\* resignation date 30<sup>th</sup> June 2008

## **DISCLOSURE OF INFORMATION TO AUDITORS**

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

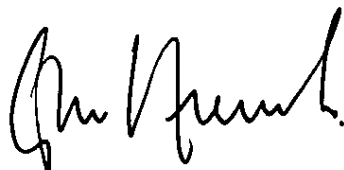
## **AUDITORS**

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 sub-contractors 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 100 days (2007: 35 days) of average daily purchases.

BY ORDER OF THE BOARD



CLIVE L FRANKS  
SECRETARY  
22 April 2009

REGISTERED OFFICE  
Costain House, Vanwall Business Park,  
Maidenhead, Berkshire SL6 4UB

**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 2008**

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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, they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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 judgements 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.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF COSTAIN BUILDING & CIVIL  
ENGINEERING LIMITED**  
**For the year ended 31 December 2008**

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We have audited the financial statements of Costain Building & Civil Engineering Limited for the year ended 31 December 2008, 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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 2008 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

*KPMG Audit Plc*

KPMG Audit Plc  
Chartered Accountants  
Registered Auditor  
LONDON

22 April 2009

**COSTAIN BUILDING & CIVIL ENGINEERING LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**For the year ended 31 December 2008**

|  | Notes | 2008<br>£   | 2007<br>£   |
|--|-------|-------------|-------------|
| Turnover   | 2     | 628,358     | 2,436,135   |
| Cost of sales                                      |       | (2,167,951) | (8,416,287) |
| Gross loss   |       | (1,539,593) | (5,980,152) |
| Administrative expenses                            |       | (17,075)    | (22,852)    |
| Operating loss                                     |       | (1,556,668) | (6,003,004) |
| Interest receivable                                |       | 1,868,859   | 6,247       |
| Interest payable                                   |       | (1,645,364) | -           |
| <b>Loss on ordinary activities before taxation</b> | 3     | (1,333,173) | (5,996,757) |
| Taxation   | 6     | -           | -           |
| <b>Loss for the financial year</b>                 |       | (1,333,173) | (5,996,757) |

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

All operating losses are attributable to continuing operations.

THE NOTES ON PAGES 7 TO 13 FORM PART OF THESE FINANCIAL STATEMENTS

**COSTAIN BUILDING & CIVIL ENGINEERING LIMITED**  
**BALANCE SHEET**  
**As at 31 December 2008**

|  | Notes | 2008<br>£         | 2007<br>£         |
|--|-------|-------------------|-------------------|
| <b>Fixed assets</b>  |       |                   |                   |
| Tangible assets  | 7     | 8,001             | 9,842             |
| Investments  | 8     | 14,809,580        | 14,809,580        |
|  |       | <u>14,817,581</u> | <u>14,819,422</u> |
| <b>Current assets</b>  |       |                   |                   |
| Debtors  | 9     | 43,587,840        | 44,946,207        |
| Cash at bank and in hand                                       | 10    | 10,445,862        | 10,308,982        |
|  |       | <u>54,033,702</u> | <u>55,255,189</u> |
| <b>Creditors: amounts falling due within one year</b>          | 11    | (15,305,369)      | (15,195,524)      |
| <b>Net current assets</b>                                      |       | <u>38,728,333</u> | <u>40,059,665</u> |
| <b>Total assets less current liabilities</b>                   |       | <u>53,545,914</u> | <u>54,879,087</u> |
| <b>Creditors: amounts falling due after more than one year</b> | 12    | (20,401,473)      | (20,401,473)      |
| <b>Net assets</b>  |       | <u>33,144,441</u> | <u>34,477,614</u> |
| <b>Capital and reserves</b>                                    |       |                   |                   |
| Called up share capital  | 13    | 48,461,810        | 48,461,810        |
| Profit and loss account  | 14    | (15,317,369)      | (13,984,196)      |
| <b>Equity shareholders' funds</b>                              | 15    | <u>33,144,441</u> | <u>34,477,614</u> |

The financial statements were approved by the Board of Directors on 22 April 2009 and were signed on its behalf by:

  
.....Director  
A Wyllie

THE NOTES ON PAGES 7 TO 13 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.

**DEPRECIATION**

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

|   | Percentage<br>per annum |
|---|-------------------------|
| Plant and equipment, furniture and fittings | 10% - 33.3%             |



**1. Accounting policies - continued**

**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 was derived from civil engineering operations in Hong Kong (2007: Hong Kong £2.7m, Middle East £(0.3)m).

**3. Loss on ordinary activities before taxation**

|   | 2008<br>£ | 2007<br>£ |
|---|-----------|-----------|
| Loss on ordinary activities is stated after charging/(crediting): |           |           |
| Depreciation  | 4,429     | 3,957     |
| Exchange (gains)/losses on foreign currency                       | (373,393) | 52,198    |
| Provision for bad and doubtful debts                              | 2,000,000 | 5,950,000 |
| Auditors' remuneration – audit                                    | 9,365     | 9,342     |

Fees paid to KPMG Audit Plc for services other than the statutory audit of the company are not disclosed in these accounts since the consolidated accounts of the ultimate parent, Costain Group PLC, are required to disclose non-audit fees on a consolidated basis.

The provision for bad and doubtful debts relates to provisions against the Company's funding advance to the Costa Azul Joint Venture, which is no longer considered recoverable.

**4. Remuneration of directors**

Emoluments paid to the directors of the company were £nil (2007: £nil).

**5. Staff numbers and costs**

The average number of persons employed by the company during the year, in the United Kingdom and overseas, nil and 2 respectively (2007: nil and 2).

The average payroll costs of these persons were as follows:

|                    | 2008<br>£ | 2007<br>£ |
|--------------------|-----------|-----------|
| Wages and salaries | 75,716    | 59,183    |

**5. Staff numbers and costs - continued**

The company incurs pension costs in respect of employees seconded from a group undertaking on a defined contributions basis. As from 1 April 2006, the seconded employees that participate in the Costain Group's UK defined benefit pension scheme are provided with benefits based on a Career Average Revalued Earnings basis; details of this scheme are included in the financial statements of Costain Group PLC.

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

**6. Taxation**

|  | 2008<br>£   | 2007<br>£   |
|--|-------------|-------------|
| On loss for the year:                                  |             |             |
| United Kingdom corporation tax at 28.5% (2007: 30%)    | -           | -           |
| Tax on loss on ordinary activities                     | -           | -           |
| Tax reconciliation:                                    | 2008<br>£   | 2007<br>£   |
| Loss on ordinary activities before taxation            | (1,333,173) | (5,996,757) |
| Tax at 28.5% (2007: 30%)                               | 379,954     | 1,799,027   |
| Provisions disallowed                                  | (542,355)   | (1,725,000) |
| Sundry disallowed expenditure                          | (1,102)     | (42,555)    |
| Exchange difference on realignment of opening balances | 42,265      | (10,055)    |
| Group relief free of charge                            | (291,612)   | (605,242)   |
| Reduction in other timing differences                  | 405,607     | 544,903     |
| Deferred tax rate differential                         | 7,243       | 38,922      |
| Total current tax                                      | -           | -           |

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 28% (2007: 28%) were:

|                                | 2008<br>£ | 2007<br>£ |
|--------------------------------|-----------|-----------|
| Accelerated capital allowances | 257,625   | 327,232   |
| Other timing differences       | -         | 336,000   |
| Tax losses                     | 10,275    | -         |

**COSTAIN BUILDING & CIVIL ENGINEERING LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS continued**  
**For the year ended 31 December 2008**

**7. Tangible fixed assets**

|                              |                          |
|------------------------------|--------------------------|
|                              | Plant and equipment<br>£ |
| <b>Cost</b>                  |                          |
| At 1 January 2008            | 45,426                   |
| Foreign currency realignment | 17,851                   |
|                              | <hr/>                    |
| At 31 December 2008          | 63,277                   |
|                              | <hr/>                    |
| <b>Depreciation</b>          |                          |
| At 1 January 2008            | 35,584                   |
| Charge for the year          | 4,429                    |
| Foreign currency realignment | 15,263                   |
|                              | <hr/>                    |
| At 31 December 2008          | 55,276                   |
|                              | <hr/>                    |
| <b>Net book value</b>        |                          |
| At 31 December 2008          | 8,001                    |
|                              | <hr/>                    |
| At 31 December 2007          | 9,842                    |
|                              | <hr/>                    |

**8. Investments**

|                                   |            |
|-----------------------------------|------------|
| Subsidiary undertakings           | £          |
| <b>Cost</b>                       |            |
| At 1 January and 31 December 2008 | 31,151,697 |
|                                   | <hr/>      |
| <b>Amounts written off</b>        |            |
| At 1 January and 31 December 2008 | 16,342,117 |
|                                   | <hr/>      |
| <b>Net book value</b>             |            |
| At 1 January and 31 December 2008 | 14,809,580 |
|                                   | <hr/>      |

**9. Debtors**

|   |            |            |
|---|------------|------------|
| Amounts falling due within one year:          | 2008<br>£  | 2007<br>£  |
| Trade debtors                                 | 26,918     | -          |
| Amounts recoverable on long term contracts    | 2,202,155  | 2,511,579  |
| Amounts owing by group undertakings           | 34,507,902 | 39,724,769 |
| Other debtors                                 | 174,202    | 87,070     |
| Prepayments and accrued income                | 1,549      | 3,320      |
| Amount owing by joint ventures                | 5,728,324  | 2,619,469  |
|   | <hr/>      | <hr/>      |
|   | 42,641,050 | 44,946,207 |
| Amounts falling due after more than one year: |            |            |
| Amounts owing by group undertakings           | 946,790    | -          |
|   | <hr/>      | <hr/>      |
|   | 43,587,840 | 44,946,207 |
|   | <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 current account balance is replaced with an inter-company receivable from Richard Costain Limited; as such the current account balance at the balance sheet date reduces to £Nil, with the balance of £10,445,862 (2007: £10,308,982) representing cash held in separate accounts, including deposits and within joint arrangements.

**11. Creditors: amounts falling due within one year**

|  | 2008<br>£  | 2007<br>£  |
|--|------------|------------|
| Amounts falling due within one year                    |            |            |
| Trade creditors  | 575,774    | 812,900    |
| Amounts owing to parent and group undertakings         | 12,000,684 | 11,443,975 |
| Amounts owed to joint ventures                         | 245,453    | 245,453    |
| Other creditors including taxation and social security | 12,542     | 8,983      |
| Accruals and deferred income                           | 1,903,622  | 2,141,959  |
|  | <hr/>      | <hr/>      |
|  | 14,738,075 | 14,653,270 |
|  | <hr/>      | <hr/>      |
| Borrowings   | 567,294    | 542,254    |
|  | <hr/>      | <hr/>      |
|  | 15,305,369 | 15,195,524 |
|  | <hr/>      | <hr/>      |

**12. Creditors: amounts falling due after more than one year**

|                                     | 2008<br>£  | 2007<br>£  |
|-------------------------------------|------------|------------|
| Amounts owing to group undertakings | 20,401,473 | 20,401,473 |
|                                     | <hr/>      | <hr/>      |

**13. Share capital**

|                            | 2008 and 2007   |                               |
|----------------------------|-----------------|-------------------------------|
|                            | Authorised<br>£ | Issued and<br>fully paid<br>£ |
| Ordinary shares of £1 each | 52,000,000      | 48,461,810                    |
|                            | <hr/>           | <hr/>                         |

**14. Reserves**

|                             | Profit and<br>loss<br>£ |
|-----------------------------|-------------------------|
| At 1 January 2008           | (13,984,196)            |
| Loss for the financial year | (1,333,173)             |
|                             | <hr/>                   |
| At 31 December 2008         | (15,317,369)            |
|                             | <hr/>                   |

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

|                             | 2008<br>£   | 2007<br>£   |
|-----------------------------|-------------|-------------|
| Loss for the financial year | (1,333,173) | (5,996,757) |
| Opening shareholders' funds | 34,477,614  | 40,474,371  |
|                             | <hr/>       | <hr/>       |
| Closing shareholders' funds | 33,144,441  | 34,477,614  |
|                             | <hr/>       | <hr/>       |

**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 2008, these liabilities amounted to £nil (2007: £nil).

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

**17. Subsidiary undertakings and joint arrangements**

| Subsidiary undertakings       | Activity            | Percentage of<br>equity held | Country of<br>operation |
|-------------------------------|---------------------|------------------------------|-------------------------|
| Costain Abu Dhabi Co WLL      | Process Contracting | 49*                          | UAE                     |
| Costain Construction Ltd      | Building            | 100                          | UK                      |
| Costain Management Design Ltd | Dormant             | 100                          | UK                      |
| Westminster Plant Co Ltd      | Plant Hire          | 100                          | UK                      |
| Costain International Ltd     | Civil Engineering   | 100                          | UK                      |
| COGAP (Middle East) Ltd       | Holding Company     | 100                          | UK                      |

\* Treated as a subsidiary undertaking due to Costain having dominant influence and control of the composition of the Board of Directors.

| Joint arrangements                            | Activity          | Percentage<br>of equity held | Country of<br>operation |
|---|-------------------|------------------------------|-------------------------|
| Costain - China Harbour – Per<br>Aarsleff A/S | Civil Engineering | 45%                          | Hong Kong               |
| Costain - China Harbour                       | Civil Engineering | 50%                          | Hong Kong               |

**18. 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.

**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, Vanwall Business Park, Maidenhead, Berkshire SL6 4UB.