

**COSTAIN BUILDING & CIVIL ENGINEERING LIMITED**

**REGISTERED NUMBER 1054232**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**31 DECEMBER 2010**

KPMG Audit Plc  
Chartered Accountants  
Registered Auditor  
LONDON

WEDNESDAY



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**COSTAIN BUILDING & CIVIL ENGINEERING LIMITED**  
**REPORT OF THE DIRECTORS**  
**For the year ended 31 December 2010**

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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

- the general economic outlook, including the extent of any governmental regulation, taxation and interest rates,
- the ability to attract, develop and retain highly skilled management and personnel,
- the failure to follow Costain's Best Practice procedures: projects are not delivered to time, cost, quality or appropriate health and safety and environmental standards and, therefore, do not meet clients' expectations, in addition, failure to follow Company Standards, Policies, Procedures and Guidelines could adversely affect the Company's reputation and/or expose it to financial liabilities and adversely affect the operational, financial and share price performance,
- financial failure within the supply chain or the supply chain being responsible for late or inadequate delivery or poor quality of work on a project which damages the Company's reputation and/or causes it to suffer financial loss, and

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. 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  
C L Franks  
A J Handford

**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.

**COSTAIN BUILDING & CIVIL ENGINEERING LIMITED**  
**REPORT OF THE DIRECTORS**  
**For the year ended 31 December 2010**

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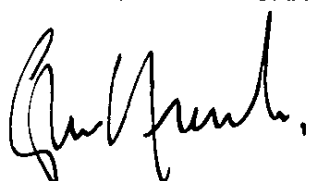
**AUDITORS**

Pursuant to Section 487 of the Companies Act the auditors will be deemed to be re-appointed 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 Nil days (2009 109 days) of average daily purchases.

BY ORDER OF THE BOARD



CLIVE L FRANKS  
SECRETARY  
28 March 2011

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 2010**

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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)

Under company law the directors must not approve the financial statements unless they are satisfied that they 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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 AUDITOR'S REPORT TO THE MEMBERS OF COSTAIN BUILDING & CIVIL  
ENGINEERING LIMITED**  
**For the year ended 31 December 2010**

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We have audited the financial statements of Costain Building & Civil Engineering Limited for the year ended 31 December 2010 set out on pages 5 to 13. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditors' 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 auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's web-site at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

**Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its loss for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

**Stephen Bligh (Senior Statutory Auditor)**  
**for and on behalf of KPMG Audit Plc, Statutory Auditor**

Chartered Accountants  
15 Canada Square  
Canary Wharf  
London E14 5GL

31 March 2011

**COSTAIN BUILDING & CIVIL ENGINEERING LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**For the year ended 31 December 2010**

	Notes	2010 £	2009 £
Turnover	2	-	469,560
Cost of sales		(1,855,214)	(3,385,577)
Gross loss		(1,855,214)	(2,916,017)
Administrative expenses		-	(19,833)
Operating loss		(1,855,214)	(2,935,850)
Interest receivable		106,943	92,981
Interest payable		(629,033)	(684,832)
<b>Loss on ordinary activities before taxation</b>	3	(2,377,304)	(3,527,701)
Tax	6	123,776	318,754
<b>Loss for the financial year</b>		(2,253,528)	(3,208,947)

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

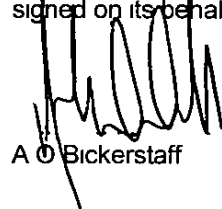
All operating losses are attributable to continuing operations

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

**COSTAIN BUILDING & CIVIL ENGINEERING LIMITED**  
**BALANCE SHEET**  
**As at 31 December 2010**

	Notes	2010 £	2009 £
<b>Fixed assets</b>			
Tangible assets	7	-	205
Investments	8	14,810,581	14,810,581
		<hr/>	<hr/>
		14,810,581	14,810,786
<b>Current assets</b>			
Debtors	9	44,880,270	49,105,260
Cash at bank and in hand	10	4,976	400,940
		<hr/>	<hr/>
		44,885,246	49,506,200
<b>Creditors: amounts falling due within one year</b>	11	(11,611,387)	(13,979,018)
		<hr/>	<hr/>
<b>Net current assets</b>		33,273,859	35,527,182
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		48,084,440	50,337,968
<b>Creditors: amounts falling due after more than one year</b>	12	(20,402,474)	(20,402,474)
		<hr/>	<hr/>
<b>Net assets</b>		27,681,966	29,935,494
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called up share capital	13	48,461,810	48,461,810
Profit and loss account	14	(20,779,844)	(18,526,316)
		<hr/>	<hr/>
<b>Equity shareholders' funds</b>	15	27,681,966	29,935,494
		<hr/>	<hr/>

The financial statements were approved by the Board of Directors on 28 March 2011 and were signed on its behalf by



Director

Company Registered Number 1054232

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 S400 of the Companies Act 2006 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

**TAX**

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 tax in future, or a right to pay less tax 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 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**

There was no turnover for the year (2009 turnover related to civil engineering operations in Hong Kong).

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

	2010 £	2009 £
Loss on ordinary activities is stated after charging/(crediting)		
Depreciation	205	3,567
Exchange (gains)/losses on foreign currency	(26,347)	114,129
Provision for bad and doubtful debts	-	2,700,000
Auditors' remuneration – audit	11,000	11,149

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 and to a contract balance in Hong Kong where recovery is uncertain.

**4. Remuneration of directors**

Emoluments paid to the directors of the company were £nil (2009 £nil).

**5. Staff numbers and costs**

There were no persons employed by the Company during the year and preceding year.

The average payroll costs of these persons were as follows:

	2010 £	2009 £
Wages and salaries	-	59,567

**COSTAIN BUILDING & CIVIL ENGINEERING LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS continued**  
For the year ended 31 December 2010

**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. The scheme was closed for future accrual on 30 September 2009 and replaced by a defined contribution scheme details of the schemes 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. Tax**

	2010 £	2009 £
On loss for the year		
Group relief receivable at 28%	123,776	318,754
Tax on loss on ordinary activities	-	-
Tax reconciliation		
Loss on ordinary activities before tax	(2,377,304)	(3,527,701)
Tax at 28% (2009 28.0%)	665,645	987,756
Provisions disallowed	(12,057)	(476,000)
Sundry disallowed expenditure	(767,333)	780
Exchange difference on realignment of opening balances	-	36,428
(Increase)/decrease in other timing differences	(237,521)	(230,210)
Total current tax	123,776	318,754

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

The company has deferred tax 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 tax assets not recognised at 27% (2009 28%) were

	2010 £	2009 £
Accelerated capital allowances	160,374	207,835
Other timing differences	81,000	280,000
Tax losses	36,846	38,211

**COSTAIN BUILDING & CIVIL ENGINEERING LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS continued**  
**For the year ended 31 December 2010**

**7. Tangible fixed assets**

	Plant and equipment £
<b>Cost</b>	
At 1 January 2010	48,731
Disposals	(48,731)
	<hr/>
At 31 December 2010	-
<b>Depreciation</b>	
At 1 January 2010	48,526
Charge for the year	205
Disposals	(48,731)
	<hr/>
At 31 December 2010	-
<b>Net book value</b>	
At 31 December 2010	-
	<hr/>
At 31 December 2009	205
	<hr/>

**8. Investments**

	Subsidiary undertakings £	Joint ventures	Total £
<b>Cost</b>			
At 1 January 2010	31,152,698	-	31,152,698
Additions	-	19,134,516	19,134,516
	<hr/>		
At 31 December 2010	31,152,698	19,134,516	50,287,214
	<hr/>		
<b>Amounts written off</b>			
At 1 January 2010	16,342,117	-	16,342,117
Provided in the year	-	19,134,516	16,342,117
	<hr/>		
At 31 December 2010	16,342,117	19,134,516	35,476,633
	<hr/>		
<b>Net book value</b>			
At 31 December 2010	14,810,581		14,810,581
At 31 December 2009	14,810,581		14,810,581
	<hr/>		

**COSTAIN BUILDING & CIVIL ENGINEERING LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS continued**  
**For the year ended 31 December 2010**

**9. Debtors**

Amounts falling due within one year	2010 £	2009 £
Trade debtors	122	267,204
Amounts recoverable on long term contracts	-	584,234
Amounts owing by group undertakings	43,886,958	43,013,210
Group relief	123,776	318,754
Other debtors	-	36,133
Prepayments and accrued income	-	2,120
Amount owing by joint ventures	-	4,040,719
	<hr/>	<hr/>
	44,010,856	48,262,374
Amounts falling due after more than one year	<hr/>	<hr/>
Amounts owing by group undertakings	869,414	842,886
	<hr/>	<hr/>
	44,880,270	49,105,260
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**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 £4,976 (2009 £400,940) representing cash held in separate accounts, including deposits and within joint arrangements.

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

Amounts falling due within one year	2010 £	2009 £
Trade creditors	-	997,036
Amounts owing to parent and group undertakings	11,308,850	11,308,850
Amounts owed to joint ventures	-	245,453
Other creditors including taxation and social security	2,537	11,282
Accruals and deferred income	300,000	1,101,414
	<hr/>	<hr/>
	11,611,387	13,664,035
Borrowings	-	314,983
	<hr/>	<hr/>
	11,611,387	13,979,018
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**COSTAIN BUILDING & CIVIL ENGINEERING LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS continued**  
For the year ended 31 December 2010

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

	2010 £	2009 £
Amounts owing to group undertakings	20,402,474	20,401,474

**13. Share capital**

	2010 and 2009 Authorised £	Issued and fully paid £
Ordinary shares of £1 each	52,000,000	48,461,810

**14. Reserves**

	2010 £	2009 £
At 1 January	(18,526,316)	(15,317,369)
Loss for the financial year	(2,253,528)	(3,208,947)
At 31 December	(20,779,844)	(18,526,316)

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

	2010 £	2009 £
Loss for the financial year	(2,253,528)	(3,208,947)
Opening shareholders' funds	29,935,494	33,144,441
Closing shareholders' funds	27,681,966	29,935,494

**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 2010, these liabilities amounted to £nil (2009 £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 FINANCIAL STATEMENTS continued**  
For the year ended 31 December 2010

**17 Subsidiary undertakings and joint arrangements**

<b>Subsidiary undertakings</b>	<b>Activity</b>	<b>Percentage of equity held</b>	<b>Country of operation</b>
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

<b>Joint venture</b>	<b>Activity</b>	<b>Percentage of equity held</b>	<b>Country of operation</b>
Costain-China Harbour Mexico S de RL de CV	Civil Engineering	50%	Mexico

**18. Related parties transactions**

The company has provided net funding of £Nil (2009 £45,324) to China Harbour-Costain Mexico S de RL de CV, a company in which Costain Group PLC, the ultimate parent company, has a 50% interest. Transactions with wholly owned subsidiaries of Costain Group PLC, the ultimate parent company, are exempt from disclosure under FRS 8 Related party disclosures.

**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.