

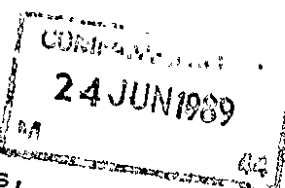
COSTAIN U.K. LIMITED

STATEMENT OF ACCOUNTS

FOR THE YEAR ENDED

31 DECEMBER 1988

James Worley & Sons,
Chartered Accountants,
LONDON



COSTAIN U.K. LIMITED

REPORT OF THE DIRECTORS

For the year ended 31 December 1988

BUSINESS REVIEW

The company continued to carry out its principal activity, the provision of management services and co-ordinating function for the companies which undertake building and civil engineering work on behalf of Costain Group PLC in the United Kingdom.

	£
Profit for the year	774,000
Taxation	(18,769)
	<u>755,231</u>
Interim Dividend	774,000
	<u>(18,769)</u>
Distributable reserves brought forward	1,976,012
Distributable reserves carried forward	<u>1,957,243</u>
	=====

DIRECTORS AND SHARE INTERESTS

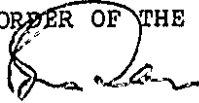
	At <u>1.1.88</u>	At <u>31.12.88</u>
T.W. Slee		
R.H. Samuel		
D.A. McM. Anderson	a 9,124	9,124
	e 37,014	37,155
J.M. Williams	a 5,014	4,761
	e NIL	2,547

G.N. Haley - (resigned 1.1.88)

a - Costain Group PLC shares of 25p each.

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

BY ORDER OF THE BOARD


B.W. RACE
SECRETARY

REGISTERED OFFICE
111 Westminster Bridge Road
London
SE1 7UE

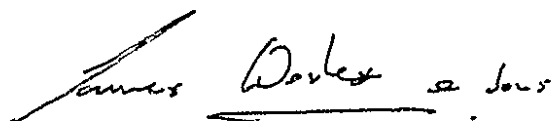
Date: 3 MAR 1989

REPORT OF THE AUDITORS TO THE MEMBERS OF
COSTAIN U.K. LIMITED

We have audited the accounts on pages 3 to 13 in accordance with approved Auditing Standards.

The accounts give a true and fair view of the state of the company's affairs at 31 December 1988 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

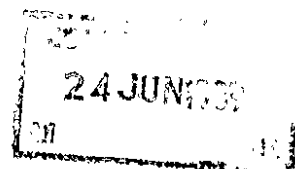
The accounts do not include a statement of the source and application of the funds of the company as required by Statement of Standard Accounting Practice 10.



James Worley & Sons,
Chartered Accountants,
LONDON

28 MAR 1989

Dated this



COSTAIN U.K. LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 31 December 1988

	Notes	1988 £	1987 £
<u>Turnover</u>	1	4,164,594	3,955,790
		=====	=====
<u>Profit on ordinary activities before taxation</u>	2	774,000	257,576
Taxation (1987 Tax Credit)	5	18,769	(71,286)
Profit after Taxation		755,231	328,862
Amount available for ordinary shareholders		755,231	326,862
Interim dividend		774,000	-
<u>Amount retained (deficit) for the year</u>		(18,769)	328,862
		=====	=====


THE NOTES ON PAGES 5 TO 13 FORM PART OF THESE ACCOUNTS

COSTAIN J.R. LIMITED

BALANCE SHEET

As at 31 December 1988

	Notes	1988 £	1987 £
<u>Fixed assets</u>			
Tangible assets	6	844,509	1,014,611
Investments	7	2,810,202	5,017,509
		<hr/>	<hr/>
		3,654,711	6,032,120
		<hr/>	<hr/>
<u>Current assets</u>			
Debtors	8	7,720,909	7,375,349
Investment	7	-	4,542,337
Cash at bankers	9	1,684,997	1,476,970
		<hr/>	<hr/>
		9,405,906	13,394,656
		<hr/>	<hr/>
<u>Current liabilities</u>			
Creditors: amounts falling due within one year	10	9,593,374	15,911,764
		<hr/>	<hr/>
<u>Net current liabilities</u>		(187,468)	(2,517,108)
		<hr/>	<hr/>
<u>Total assets less current liabilities</u>		3,467,243	3,515,012
		<hr/>	<hr/>
Deferred taxation	11	(10,000)	(39,000)
		<hr/>	<hr/>
<u>Net assets</u>		3,457,243	3,476,012
		<hr/>	<hr/>
		=====	=====
<u>Capital and reserves</u>			
Called up share capital	12	1,500,000	1,500,000
Profit and loss account	13	1,957,243	1,976,012
		<hr/>	<hr/>
<u>Shareholders' funds</u>		3,457,243	3,476,012
		<hr/>	<hr/>
		=====	=====

 Director

Dated this 28 MAR 1989

 Director

THE NOTES ON PAGES 5 TO 13 FORM PART OF THESE ACCOUNTS

COSTAIN U.K. LIMITED

NOTES ON THE ACCOUNTS

31 December 1988

1. Accounting Policies

ACCOUNTING CONVENTION

The accounts are prepared under the historical cost convention.

TURNOVER

Turnover represents the amounts received in the ordinary course of business for rental income and for services provided.

DEFERRED TAXATION

Deferred taxation is provided at the latest relevant rate of corporation tax of 35%, on the excess of the book values of fixed assets over the corresponding written down values for taxation purposes and on other timing differences.

DEPRECIATION OF TANGIBLE ASSETS

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

	Percentage per annum
Fixed plant, furniture and fittings	10 - 20

COSTAIN U.K. LIMITED

NOTES ON THE ACCOUNTS continued

31 December 1988

2. Profit on ordinary activities before taxation

	1988 £	1987 £
Turnover	4,164,594	3,955,790
Cost of sales	(3,923,762)	(3,995,353)
	<hr/>	<hr/>
Gross profit (1987 loss)	240,832	(39,563)
Interest receivable - on amounts due from fellow subsidiary companies	86,390	76,394
- external	-	445
Administrative expenses	(327,222)	(308,700)
	<hr/>	<hr/>
	0	(271,424)
Dividends from subsidiary companies	774,000	529,000
	<hr/>	<hr/>
	774,000	257,576
	=====	=====

Profit on ordinary activities is after charging:

Emoluments of directors (note 4)	93,233	96,716
Depreciation	277,434	198,984
Auditors' remuneration	6,000	25,000

COSTAIN U.K. LIMITED

NOTES ON THE ACCOUNTS continued

31 December 1988

	1988 £	1987 £
3. <u>Staff costs</u>		
Wages and salaries	743,654	854,632
Social security costs	50,634	61,355
Pension costs	417,198	163,874
Costain Employee Share Scheme	18,447	36,947
	<hr/>	<hr/>
	1,229,933	1,116,808
	=====	=====

The average weekly number of persons employed by the company, all of whom were seconded from a fellow subsidiary company, who worked during the year for the company in the United Kingdom was 47 (1987 65).

4. Emoluments of directors

Emoluments, excluding pension scheme contributions of directors.

Directors	1988	1987
NIL - £5,000	2	5
£30,001 - £35,000	-	1
£35,001 - £40,000	1	-
£50,001 - £55,000	-	1
£55,001 - £60,000	1	-

The emoluments of the highest paid director were £57,813 (1987 £60,430)

COSTAIN U.K. LIMITED

NOTES ON THE ACCOUNTS continued

31 December 1988

5. Taxation

	1988 £	1987 £
On profits for the year:		
United Kingdom corporation tax at 35% (1987 35%)	45,097	-
Group relief	-	(91,552)
Deferred taxation	(24,952)	20,418
	<u>20,145</u>	<u>(71,134)</u>
Adjustments in respect of prior years:		
United Kingdom corporation tax	-	251
Less relief for overseas taxation	-	(610)
	<u>-</u>	<u>(359)</u>
Overseas Taxation	-	610
Group relief	2,672	15
Deferred taxation	-	(418)
Other timing differences	(4,048)	-
	<u>(1,376)</u>	<u>(152)</u>
Charge (Credit) on ordinary activities	18,769	(71,386)
	<u>=====</u>	<u>=====</u>

COSTAIN U.K. LIMITED

NOTES ON THE ACCOUNTS continued

31 December 1988

6. Tangible assets

	<u>Plant and equipment</u> £
<u>Cost</u>	
At 1 January 1988	1,726,885
Additions	106,957
Intra Group transfers	375
	<hr/>
At 31 December 1988	1,834,217
	<hr/>
<u>Depreciation</u>	
At 1 January 1988	712,274
Provision	277,224
Intra Group transfers	210
	<hr/>
At 31 December 1988	989,708
	<hr/>
<u>Net book value</u>	
At 31 December 1988	844,509
	<hr/>
At 31 December 1987	1,014,611
	<hr/>

COSTAIN U.K. LIMITED

NOTES ON THE ACCOUNTS continued

31 December 1988

7. Investments

	Subsidiaries £
<u>Cost</u>	
At 1 January 1988	5,898,909
Disposals	3,067,151
	<hr/>
At 31 December 1988	2,831,758
	<hr/>
<u>Amounts written off</u>	
At 1 January 1988	881,400
Disposals	859,844
	<hr/>
At 31 December 1988	21,556
	<hr/>
<u>Net book value</u>	
31 December 1988	2,810,202
	=====
31 December 1987	5,017,509
	=====

Class of capital held and
per age held of each class

<u>Subsidiary companies</u>	<u>Class</u>	<u>£</u>
Costain Construction Limited	Ordinary	100
Costain Renovations Limited	Ordinary	100
E.J. Cook & Partners Limited	Ordinary	100
Toplis Painters Limited	Ordinary	100
Costain Management Design Limited	Ordinary	100
Costain Leisure Construction Limited	Ordinary	100

All companies are incorporated in Great Britain and registered in England except where otherwise stated.

COSTAIN U.K. LIMITED

NOTES ON THE ACCOUNTS continued

31 December 1988

7. Investments continued

	1988 £	1987 £
<u>Current asset investment</u>		
Investment listed on a recognised stock exchange	Nil =====	4,542,337 =====

The market value at 31 December 1987
was £4,907,752

COSTAIN U.K. LIMITED

NOTES ON THE ACCOUNTS continued

31 December 1988

8. <u>Debtors</u>	1988 £	1987 £
Amounts falling due within one year:		
Trade debtors	200,223	393,567
Prepayments and accrued income	133,262	140,607
Amounts owing by subsidiary companies	7,387,424	6,841,175
	<hr/>	<hr/>
	7,720,909	7,375,349
	=====	=====

9. Cash at bank

The company's bankers have the right to set off the company's bank balance when in credit against borrowings by Richard Costain Limited.

10. Creditors: amounts falling due within one year

Trade creditors	7,504,883	8,277,360
Accruals	101,256	354,280
Amounts owing to fellow subsidiary companies	1,167,527	7,279,873
Taxation	45,708	251
Dividend	774,000	-
	<hr/>	<hr/>
	9,593,374	15,911,764
	=====	=====

COSTAIN U.K. LIMITED

NOTES ON THE ACCOUNTS continued

31 December 1988

11. Deferred taxation

	£
At 1 January 1988	(39,000)
Transfer to profit and loss account	29,000
	<hr/>
At 31 December 1988	(10,000)
	=====

12. Share capital

	1988		1987	
	£	£	£	£
	Authorised	Issued	Authorised	Issued
	<hr/>	<hr/>	<hr/>	<hr/>
Ordinary shares of £1 each, fully paid	1,500,000	1,500,000	1,500,000	1,500,000
	=====	=====	=====	=====

13. Reserves

	Profit and loss Account £
At 1 January 1988	1,976,012
Loss for the year	(18,769)
	<hr/>
31 December 1988	1,957,243
	=====

14. Contingent liabilities

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

15. Consolidated accounts

Consolidated accounts have not been prepared as the company at 31 December 1988 was a wholly owned subsidiary of Costain Group PLC, its ultimate holding company, which is a company incorporated in Great Britain and registered in England.