

COSTAIN BUILDING & CIVIL ENGINEERING LIMITED

REGISTERED NUMBER 1054232

STATEMENT OF ACCOUNTS

FOR THE YEAR ENDED

31 DECEMBER 1995

KPMG
Chartered Accountants,
GATWICK



COSTAIN BUILDING & CIVIL ENGINEERING LIMITED
REPORT OF THE DIRECTORS
For the year ended 31 December 1995

BUSINESS REVIEW

The company continued to carry out its principal activity of building and civil engineering contracting. The company ceased to accept new business on 31 December 1994, subsequent contract awards being the responsibility of a fellow Costain Group subsidiary.

The results for the year are set out in the profit & 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 <u>1.1.95</u>	At <u>31.12.95</u>
W Sperry	Chairman and Managing Director		
M J Quirke			
C L Franks	a	3,945	393
	#	225,000	22,500
	b	139,851	13,984
G V May			
J R Campbell			
A C Lovell	(appointed 26.9.95)		
D H Jenkins	a	5,206	520
	b	60,952	6,095
R M Jones	a	10,490	1,049
	b	192,704	19,268
G P Sivey			
S Fraser	a	27,381	2,737
	b	170,471	17,045
S J Taylor	a	5,126	512
	b	58,893	5,889

W Gerretsen resigned 26.9.95

a - Costain Group PLC ordinary shares of 25p each (until 7.6.95, thereafter 10p each).

b - Options to acquire Costain Group PLC shares (do).

- Non-beneficial interest in Costain Group PLC shares (do).

Directors' liability indemnity cover is maintained by the ultimate holding company, Costain Group PLC.

EMPLOYMENT OF DISABLED PERSONS

It is the company's policy to give full and fair consideration to applications for employment made by disabled persons, to continue wherever possible the employment of and to arrange appropriate training for those who become disabled and to provide equal opportunities for the training and career development of disabled employees.

EMPLOYEE INVOLVEMENT

The Costain Group provides information to its employees both of a general company nature and to encourage awareness of financial and economic factors which affect the company in various ways. These include a house newspaper, information via our electronic mail system, circulation of press releases, management briefings on company results, a report to employees on the annual accounts of the Group and annual pension scheme reports.

Participation and involvement are encouraged through the Group's share option schemes, regular management meetings with employees and through formal trade union channels.

BY ORDER OF THE BOARD



B W RACE
SECRETARY

REGISTERED OFFICE
111 Westminster Bridge Road
London SE1 7UE

Date: 27 AUG 1996

STATEMENT OF DIRECTOR'S RESPONSIBILITIES

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 of the company for that period. The directors are required to ensure that those financial statements are based on suitable accounting policies consistently applied, are prepared on the going concern basis and are supported by judgements and estimates that are reasonable and prudent, and identify and explain any material departures from applicable accounting standards.

The directors are also responsible for keeping proper accounting records, they have general responsibility for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

REPORT OF THE AUDITORS TO THE MEMBERS OF
COSTAIN BUILDING & CIVIL ENGINEERING LIMITED

We have audited the financial statements on pages 5 to 17

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit of those statements and to report our opinion to you.

Basis of 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 1995 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG
KPMG
Chartered Accountants
Registered Auditors
GATWICK

2 September 1996
Date

COSTAIN BUILDING & CIVIL ENGINEERING LIMITED
PROFIT AND LOSS ACCOUNT
For the year ended 31 December 1995

	Notes	1995 £	1994 £
Turnover	1/2	265,384,248	341,779,453
Cost of sales		(278,149,933)	(349,785,871)
Gross loss		(12,765,685)	(8,006,418)
Administrative expenses		(3,618,999)	(2,820,283)
Operating loss		(16,384,684)	(10,826,701)
Interest receivable:			
- on amounts due from fellow subsidiary undertakings	1,329,923	1,893,925	
- external	770,670	154,970	
Non operating exceptional item		2,100,593 (1,527)	2,048,895 -
Dividends from subsidiary undertakings		-	7,173,214
Interest payable	4	(14,285,618) (963,766)	(1,604,592) (371,949)
Loss on ordinary activities before taxation	3	(15,249,384)	(1,976,541)
Taxation on loss on ordinary activities	7	323,533	941,459
<u>Loss on ordinary activities after taxation</u>		(14,925,851)	(1,035,082)
Dividend proposed		-	(3,417,417)
<u>Loss retained for the year</u>		(14,925,851)	(4,452,499)

There were no recognised gains nor losses other than the profit for the period.

Movements on reserves are set out in note 18

THE NOTES ON PAGES 7 TO 17 FORM PART OF THESE ACCOUNTS

COSTAIN BUILDING & CIVIL ENGINEERING LIMITED
BALANCE SHEET
As at 31 December 1995

	Notes	1995 £	1994 £
<u>Fixed assets</u>			
Tangible assets	8	3,029,299	3,673,752
Investments	9	9,955,502	10,060,032
		<hr/>	<hr/>
		12,984,801	13,733,784
		<hr/>	<hr/>
<u>Current assets</u>			
Stocks	10	1,792,575	1,614,004
Debtors	11	72,966,954	98,968,390
Debtors: amounts falling due after more than one year	11	5,939,593	5,656,003
Cash at bank	12	44,837,699	44,984,648
		<hr/>	<hr/>
		125,536,821	151,223,045
<u>Creditors: amounts falling due within one year</u>			
Borrowings	13	(3,997,792)	(76,635)
Other creditors	14	(113,698,665)	(135,587,698)
		<hr/>	<hr/>
		(117,696,457)	(135,664,333)
<u>Net current assets</u>		7,840,364	15,558,712
		<hr/>	<hr/>
<u>Total assets less current liabilities</u>		20,825,165	29,292,496
Creditors: amount falling due after more than one year	14	(1,185,321)	(1,781,272)
<u>Provisions for liabilities and charges</u>	15	(7,449,531)	(395,060)
		<hr/>	<hr/>
<u>Net assets</u>		12,190,313	27,116,164
		<hr/>	<hr/>
<u>Capital and reserves</u>			
Called up share capital	16	26,261,810	26,261,810
Profit and loss account	18	(14,071,497)	854,354
		<hr/>	<hr/>
<u>Shareholders' funds</u>		12,190,313	27,116,164
		<hr/>	<hr/>

The Financial Statements were approved by the Board of Directors on **27 AUG 1996**
and were signed on its behalf by:

.....
J.R. Campbell

THE NOTES ON PAGES 7 TO 17 FORM PART OF THESE ACCOUNTS

1. Accounting policies

BASIS OF ACCOUNTING

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

CASH FLOW STATEMENT

As the cash flow statement in the consolidated accounts of the ultimate parent company, Costain Group PLC, complies with the conditions of Financial Reporting Standard No. 1 ("FRS 1"), the company is exempt under FRS 1 from the requirement to prepare a separate cash flow statement.

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.

JOINT VENTURES

The profit and loss account includes the appropriate proportion of turnover and profit of joint venture contracts. Interests in unincorporated joint ventures are accounted for by the proportional consolidation method.

INVESTMENT PROPERTIES

Profits on disposal of investment properties are calculated by reference to their carrying value.

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.

1. Accounting policies - Continued

DEPRECIATION

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

	Percentage per annum
Fixed plant and equipment, furniture and fittings	10 - 33.3
Freehold buildings	2 - 5

Leases with less than fifty years unexpired are written off over their remaining lives. No depreciation is provided on freehold land.

No depreciation or amortisation is provided in respect of freehold investment properties and leasehold investment properties with over 50 years to run.

TAXATION

Deferred taxation is provided at the latest relevant rates in respect of all timing differences which, in the opinion of the directors, are expected to reverse in the foreseeable future.

LEASED ASSETS

Assets held under finance leases are included under tangible fixed assets at their capital value and depreciated over their useful lives. Leasing payments consist of capital and interest elements and the interest is charged to the profit and loss account. The annual rentals in respect of operating leases are charged to the profit and loss account.

STOCKS

Stocks are stated at the lower of cost and net realisable value.

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 expected cost of pensions in respect of the defined benefit pension scheme in which the company participates is charged to the profit and loss account so as to spread the cost of pensions over the service lives of employees participating in the scheme.

2. Business and geographical segment information

Business segment information

	Turnover		Profit before taxation	
	1995 £	1994 £	1995 £	1994 £
Engineering & Construction	264,869,782	341,376,866	(15,334,373)	(9,081,195)
Mining	514,466	402,587	84,989	(68,560)
	<hr/>	<hr/>	<hr/>	<hr/>
	265,384,248	341,779,453	(15,249,384)	(9,149,755)
	<hr/>	<hr/>	<hr/>	<hr/>

Geographical segment information

	1995 £	1994 £
United Kingdom	246,281,961	322,527,195
Rest of world	19,102,287	19,252,258
	<hr/>	<hr/>
	265,384,248	341,779,453
	<hr/>	<hr/>

3. Profit on ordinary activities before taxation

Profit on ordinary activities is after charging:	1995 £	1994 £
Staff costs (note 5)	30,617,659	37,421,980
Emoluments of directors (note 6)	631,303	622,956
Depreciation on assets owned by the company	845,581	2,302,213
Depreciation on assets held under finance leases	175,222	-
Auditors' remuneration - audit fees	75,201	70,131
- other services	3,865	-
Hire of plant and machinery	7,907,611	10,662,157
Exchange losses on foreign currency	-	856,943

and after crediting:

Profit on sale of fixed assets	-	138,039
Exchange gains on foreign currency	210,855	-

4. Interest payable and finance charges

	£	£
On bank loans and external overdrafts repayable within 5 years	31,634	371,949
On amounts due to group undertakings	908,626	-
Finance charges allocated under finance leases	23,506	-
	<hr/>	<hr/>
	963,766	371,949
	<hr/>	<hr/>

5. Staff costs

The average weekly number of persons employed by the company who worked during the year in the United Kingdom and overseas was 207 and 27 respectively (1994 340 and 60)

In addition, the average weekly number of staff seconded from a fellow subsidiary company who worked during the year for the company in the United Kingdom and overseas was 888 and 6 respectively (1994 1154 and nil).

The aggregate payroll costs of these persons were as follows:

	1995	1994
	£	£
Wages & salaries	26,614,539	33,063,391
Social security costs	2,162,863	2,634,750
Pension costs	1,840,257	1,723,839
	<hr/>	<hr/>
	30,617,659	37,421,980
	<hr/>	<hr/>

The company participates in one of the Group's UK defined benefit pension schemes. The schemes provide benefits based on final pensionable salary.

The liabilities of the schemes are secured by assets which are held in funds administered by trustees and which are separate from the finances of the Group. The contributions are based on pension costs as a whole across all the undertakings participating in the scheme and are determined by a qualified actuary on the basis of triennial valuations. The actuarial valuation prepared as at 1 April 1995 is the most recent valuation and details are disclosed in the accounts of Costain Group PLC.

6. Remuneration of directors

The emoluments, excluding pension scheme contributions, of directors (including the Chairman and highest paid directors) were within the following ranges.

Directors	1995	1994
Nil to £5,000	5	2
£ 50,001 - £ 55,000	-	2
£ 55,001 - £ 60,000	-	1
£ 60,001 - £ 65,000	-	1
£ 65,001 - £ 70,000	2	1
£ 70,001 - £ 75,000	2	1
£ 80,001 - £ 85,000	-	2
£ 85,001 - £ 90,000	1	-
£ 90,001 - £ 95,000	-	1
£110,001 - £115,000	1	-
£115,001 - £120,000	1	-

The emoluments, excluding pension scheme contributions, of the Chairman who was also the highest paid director, during 1995 amounted to £ 116,721 (1994 £94,677).

COSTAIN BUILDING & CIVIL ENGINEERING LIMITED
NOTES ON THE ACCOUNTS continued
For the year ended 31 December 1995

	1995 £	1994 £
7. <u>Taxation</u>		
On profit for the year:		
Group relief	-	(1,391,688)
Deferred tax	-	(1,000,000)
	<hr/>	<hr/>
	-	(2,391,688)
Adjustments in respect of prior years:		
United Kingdom corporation tax	124,492	-
Group relief	(448,025)	1,450,229
	<hr/>	<hr/>
	(323,533)	(941,459)
	<hr/>	<hr/>

The group relief will be made available by other group companies and full payment will be made for the amount surrendered.

8. Tangible assets

Summary of net book values

	Operating assets £
At 31 December 1995	3,029,299
	<hr/>
At 31 December 1994	3,673,752
	<hr/>

Operating assets	Land and Buildings		Plant and Equipment		Total £
	<u>Freehold</u> £	<u>Leasehold Over 50 years</u> £	<u>Owned</u> £	<u>Leased</u> £	
<u>Cost</u>					
At 1 January 1995	1,193,246	220,000	11,791,790	-	13,205,036
Additions	-	-	2,104,151	711,324	2,815,475
Disposals	-	-	(3,948,174)	-	(3,948,174)
Inter company transfers	(1,193,246)	(220,000)	(3,511,074)	-	(4,924,320)
Foreign currency realignment	-	-	2,373	-	2,373
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1994	-	-	6,439,066	711,324	7,150,390
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

COSTAIN BUILDING & CIVIL ENGINEERING LIMITED
NOTES ON THE ACCOUNTS continued
For the year ended 31 December 1995

8. Tangible assets - Continued

Operating assets	Land and Buildings		Plant and Equipment		Total
	Freehold	Leasehold Over 50 years	Owned	Leased	
	£	£	£	£	£
<u>Depreciation</u>					
At 1 January 1995	88,666	24,200	9,418,418	-	9,531,284
Provisions	-	-	845,581	175,222	1,020,803
Disposals	-	-	(3,211,588)	-	(3,211,588)
Inter company transfers	(88,666)	(24,200)	(3,107,270)	-	(3,220,136)
Foreign currency realignment	-	-	728	-	728
At 31 December 1995	-	-	3,945,869	175,222	4,121,091
<u>Net book value</u>					
At 31 December 1995	-	-	2,493,197	536,102	3,029,299
At 31 December 1994	1,104,580	195,800	2,373,372	-	3,673,752

COSTAIN BUILDING & CIVIL ENGINEERING LIMITED
NOTES ON THE ACCOUNTS continued
For the year ended 31 December 1995

9.	<u>Investments</u>	<u>Subsidiary undertakings</u> £	<u>Other Investments</u> £	<u>Total</u> £
	<u>Cost</u>			
	At 1 January 1995	9,996,648	300,000	10,296,648
		_____	_____	_____
	At 31 December 1995	9,996,648	300,000	10,296,648
		_____	_____	_____
	<u>Amounts written off</u>			
	At 1 January 1995	236,616	-	236,616
	Costain Dubai & Abu Dhabi	104,530		104,530
		_____	_____	_____
	At 31 December 1995	341,146	-	341,146
		_____	_____	_____
	<u>Net book value</u>			
	At 31 December 1995	9,655,502	300,000	9,955,502
		=====	=====	=====
	At 31 December 1994	9,760,032	300,000	10,060,032
		=====	=====	=====

Investments in subsidiary undertakings

Class of capital held and
Percentage held of each class

<u>Subsidiary undertakings</u>	<u>Class</u>	<u>%</u>	
companies registered in England and Wales.			
Aimtask Ltd	Ordinary	100	
Costain Construction Limited	Ordinary	100	
Costain Management Design Limited	Ordinary	100	
Costain Renovations Limited	Ordinary	100	
R. Costain & Sons Limited	Ordinary	100	
Toplis Painters Limited	Ordinary	100	
Costain International Management Ltd	Ordinary	100	
Costain Mining Ltd	Ordinary	100	
Westminster Plant Company Ltd	Ordinary	100	
Costain International Ltd	Ordinary	100	
Costain Civil Engineering Ltd	Ordinary	100	
John Shelbourne & Co. Ltd	Ordinary	100	
Costain Dubai LLC	Ordinary	49	Registered in Dubai
Costain Abu Dhabi WLL	Ordinary	49	Registered in Abu Dhabi

Costain Dubai LLC and Costain Abu Dhabi WLL are treated as subsidiary undertakings due to a dominant influence.

10.	<u>Stocks</u>	1995	1994
		£	£
	Raw materials	1,774,568	1,367,603
	Housing land stock	18,007	18,007
	Work in progress	-	228,394
		<hr/>	<hr/>
		1,792,575	1,614,004
		<hr/>	<hr/>

11.	<u>Debtors</u>	1995	1994
		£	£
	Amounts falling due within one year:		
	Trade debtors	3,736,281	1,755,863
	Amounts recoverable on long term contracts	46,147,378	58,594,956
	Amounts owing by fellow subsidiary undertakings	18,687,358	27,470,959
	Amounts owing by undertakings in which the company has a participating interest	187,007	52,375
	Other debtors	2,205,799	1,306,654
	Prepayments and accrued income	1,564,209	1,433,788
	Group relief	438,922	1,137,163
	Corporation tax	-	43,418
	Dividends	-	7,173,214
		<hr/>	<hr/>
		72,966,954	98,968,390
		<hr/>	<hr/>
	Amounts falling due after more than one year:		
	Other debtors	5,939,593	5,656,003
		<hr/>	<hr/>

12. 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.

13.	<u>Borrowings</u>	1995	1994
		£	£
	Short term bank overdrafts	3,997,792	76,635
		<hr/>	<hr/>

14. Creditors: amounts falling due within one year

	1995 £	1994 £
Trade creditors	22,069,450	44,186,973
Accruals	16,224,341	22,428,427
Amounts owing to parent and fellow subsidiary undertakings	45,726,830	39,585,306
Other creditors	28,910,628	10,502,112
Credit balances on long term contracts	678,050	15,467,463
Dividends payable	-	3,417,417
ACT payable to group undertakings	88,923	-
UK Corporation tax	365	-
Overseas tax	78	-
	<hr/>	<hr/>
	113,698,665	135,587,698
	<hr/>	<hr/>

Creditors: amounts falling due after more than one year

Borrowings	153,277	-
Trade creditors	995,370	1,781,272
Other creditors	36,674	-
	<hr/>	<hr/>
	1,185,321	1,781,272
	<hr/>	<hr/>

15. Provisions for liabilities and charges

	At beginning of year £	Movement in year £	At end of year £
Other provisions	395,060	7,054,471	7,449,531
	<hr/>	<hr/>	<hr/>

16. Share Capital

	1995 <u>Authorised</u> £	1995 <u>Issued</u> £	1994 <u>Authorised</u> £	1994 <u>Issued</u> £
Ordinary shares of £1 each, fully paid	30,000,000	26,261,810	30,000,000	26,261,810

17. Reconciliation of movements in shareholders' funds

	1995 £	1994 £
Retained loss for the financial year	(14,925,851)	(4,452,499)
Net reduction to shareholders funds	(14,925,851)	(4,452,499)
Opening shareholders funds	27,116,164	31,568,663
Closing shareholders funds	12,190,313	27,116,164

18. Reserves

	Profit and loss Account £
At 1 January 1995	854,354
Loss for the year	(14,925,851)
At 31 December 1995	(14,071,497)

19. Contingent Liability

The company has entered into cross guarantees together with the ultimate parent company and certain fellow group undertakings, for loans and overdraft facilities made available to the Group. These facilities are included in the Group accounts and amount to £26.2m (1994 £17.7 m) and US\$ 169.8m (1994 US\$ 206.0 m).

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

20. Ultimate parent company

The largest 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, 111 Westminster Bridge Road, London SE1 7UE.