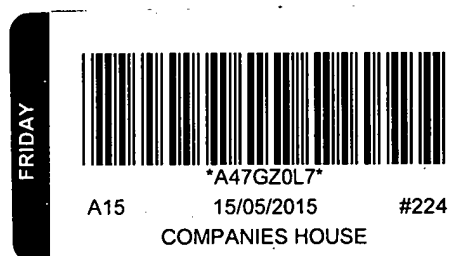


Registration number: 2440829

Costain Engineering & Construction Limited

Strategic Report & Directors' Report and Financial Statements

for the Year Ended 31 December 2014



Costain Engineering & Construction Limited
Company Information

Directors	A Wyllie A O Bickerstaff M D Hunter T A Wood
Company secretary	T A Wood
Registered office	Costain House Vanwall Business Park Maidenhead Berkshire SL6 4UB
Auditor	KPMG LLP 15 Canada Square London E14 5GL

Costain Engineering & Construction Limited
Strategic Report & Directors' Report for the Year Ended 31 December 2014

The directors present their strategic report and directors' report and the financial statements for the year ended 31 December 2014.

Directors of the company

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

A Wyllie

A O Bickerstaff

M D Hunter

T A Wood - Company secretary and director

Business review

Fair review of the business

The company is a holding and services company and is the main employer for Costain Group PLC and other Costain Group companies in the United Kingdom. The company also operates a defined benefit pension scheme, which was closed to future accrual on 30 September 2009, and several defined contribution pension plans.

Turnover for the year was £183.5 million (2013: £160.9 million) and the company recorded a profit of £28.4 million (2013: £9.3 million). The profit before tax of £29.1 million (2013: £8.5 million) includes a profit of £4.2 million on the sale of the company's shareholdings in two investments (2013: £11.1 million). It also includes a net provision release against the carrying value of subsidiaries of £12.4 million (2013: provision of £14.6 million).

Shareholders' funds increased to £57.7 million at 31 December 2014 (2013: £45.2 million) as a result of the profit for the year, offset by a £16.0m loss arising from market related changes to the defined benefit pension liability (net of deferred tax). Market movements increased the pension liability by £4.0 million (net of deferred tax).

The average number of employees of the company during the year was 2,699 (2013: 2,411) and all employees of the company are seconded to fellow subsidiaries of the Costain Group. The voluntary leavers turnover rate is 10.5% (2013: 8.5%). The company monitors the diversity profile of its employees. The number of female employees was 19.2% (2013: 19.0%) and the number of Black, Asian and Minority Ethnic (BAME) employees was 11.0% (2013: 7.2%).

The company participates within Costain Group's UK banking arrangements and bank balances are centrally aggregated on a daily basis within Richard Costain Limited, a fellow subsidiary. The company's banker has the right to set off the company's bank balance when in credit against borrowings by Richard Costain Limited.

Costain Engineering & Construction Limited

Strategic Report & Directors' Report for the Year Ended 31 December 2014

..... continued

Principal risks and uncertainties

The principal risks, which could affect the operations of the parent company, Costain Group PLC, and consequently the results of the company directly or impact the value of its investments, are:

- the general political and economic outlook, including the extent of any changes in governmental regulation, taxation and interest rates;
- the ability to attract, develop and retain highly skilled management and personnel;
- the failure to follow internal 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 the company to financial liabilities and adversely affect the operational and financial performance;
- the pension deficit and the risk that contributions may have to be increased to cover funding shortfalls;
- change in the UK Government's policies with regard to improving public infrastructure, buildings and services specifically in areas where the company and its subsidiaries would expect to compete for work;
- the failure to compete effectively in the marketplace resulting in a failure to win work;
- 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 could damage the company's reputation and/or cause it to suffer financial loss; and
- the loss of IT systems.

The company considers the following Key Performance Indicators are the most effective measures of progress toward achieving its objectives: the number of employees, Profit before tax and the deficit of the defined benefit pension scheme.

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 regular videos and updates from the Chief Executive and other Senior Managers, a Costain online news service, information via our electronic mail system, circulation of press releases, management briefings on company results, a report to employees on the annual financial statements of the Group and annual pension scheme reports. Participation and involvement are encouraged through regular management meetings with employees.

Costain Engineering & Construction Limited
Strategic Report & Directors' Report for the Year Ended 31 December 2014

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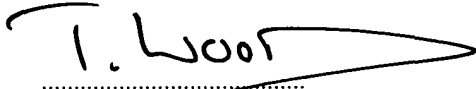
Disclosure of information to the auditor

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 auditor is unaware; and each director has taken all the steps that he/ she ought to have taken as a director to make himself/ herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Reappointment of auditor

The auditor KPMG LLP is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Approved by the Board on 22 April 2015 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'T. Wood', with a long horizontal stroke extending to the right.

.....
T A Wood
Company secretary and director

Costain Engineering & Construction Limited

Statement of Directors' Responsibilities

The directors are responsible for preparing the Strategic Report & 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

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 apply them consistently;
- make judgements and accounting 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditor's Report to the Members of Costain Engineering & Construction Limited

We have audited the financial statements of Costain Engineering & Construction Limited for the year ended 31 December 2014, set out on pages 8 to 26. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom 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 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 auditor

As explained more fully in the Statement of Directors' Responsibilities (set out on page 5), 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 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on the 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 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom 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 Strategic Report & Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Independent Auditor's Report to the Members of
Costain Engineering & Construction Limited**

..... continued

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.



Andrew Marshall (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor

15 Canada Square
London
E14 5GL

24 April 2015

Costain Engineering & Construction Limited
Profit and Loss Account for the Year Ended 31 December 2014

	Note	2014 £	2013 £
Turnover		183,470,970	160,855,001
Cost of sales		<u>(171,098,262)</u>	<u>(148,335,991)</u>
Operating profit	2	12,372,708	12,519,010
Profit on sale of investments	4	4,220,087	11,133,320
Provisions against investments	4	<u>12,400,000</u>	<u>(14,600,000)</u>
Profit on ordinary activities before investment income and interest		28,992,795	9,052,330
Income from other fixed asset investments		142,565	1,276,545
Other interest receivable and similar income	7	659,246	673,449
Interest payable and similar charges	8	<u>(684,500)</u>	<u>(2,547,500)</u>
Profit on ordinary activities before taxation		29,110,106	8,454,824
Tax on profit or loss on ordinary activities	9	<u>(687,517)</u>	<u>809,190</u>
Profit for the financial year		<u><u>28,422,589</u></u>	<u><u>9,264,014</u></u>

All activities relate to continuing operations.

The notes on pages 11 to 26 form an integral part of these financial statements.

Costain Engineering & Construction Limited
Statement of Total Recognised Gains and Losses for the Year Ended 31 December 2014

	Note	2014 £	2013 £
Profit for the financial year		28,422,589	9,264,014
Actuarial (loss)/gain recognised on defined benefit pension scheme		(17,920,000)	7,212,000
Deferred tax on actuarial (loss)/gain recognised on defined benefit pension scheme		<u>1,944,000</u>	<u>(4,966,429)</u>
Total recognised gains and losses relating to the year		<u><u>12,446,589</u></u>	<u><u>11,509,585</u></u>

The notes on pages 11 to 26 form an integral part of these financial statements.

Costain Engineering & Construction Limited

(Registration number: 2440829)

Balance Sheet at 31 December 2014

	Note	2014 £	2013 £
Fixed assets			
Investments	10	<u>74,044,243</u>	<u>64,709,952</u>
Current assets			
Debtors	11	39,260,490	62,254,584
Creditors: Amounts falling due within one year	13	<u>(22,309,972)</u>	<u>(52,398,364)</u>
Net current assets		<u>16,950,518</u>	<u>9,856,220</u>
Net assets excluding pension asset/liability		90,994,761	74,566,172
 Net pension liability	 17	 <u>(33,342,261)</u>	 <u>(29,360,261)</u>
Net assets		<u><u>57,652,500</u></u>	<u><u>45,205,911</u></u>
Capital and reserves			
Called up share capital	14	41,203,555	41,203,555
Share premium account	15	19,804,043	19,804,043
Other reserves	15	12,425,095	12,425,095
Profit and loss account	15	<u>(15,780,193)</u>	<u>(28,226,782)</u>
		<u><u>57,652,500</u></u>	<u><u>45,205,911</u></u>

Approved by the Board on 22 April 2015 and signed on its behalf by:



M D Hunter
Director

The notes on pages 11 to 26 form an integral part of these financial statements.

Costain Engineering & Construction Limited

Notes to the Financial Statements for the Year Ended 31 December 2014

1 Accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Exemption from preparing a 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.

Exemption from preparing group accounts

The company has taken exemption from preparing group accounts as it is included in consolidated accounts for a larger group which are drawn up as full consolidated audited accounts which are filed at Companies House.

Turnover

Turnover represents the amounts (excluding value added tax) receivable for which services provided, mainly relating to the provision of staff to fellow group undertakings and which are recognised as provided and rental income.

Investments

Investments held as fixed assets are stated at cost less any provisions for impairment. Investments are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairments are calculated such that the carrying value of the fixed asset investment is the lower of its cost or recoverable amount. Impairments are reversed in line with improvements in the recoverable amount of the investment.

Deferred tax

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes, which have arisen but not reversed by the balance sheet date.

Deferred tax is measured at the rates that are expected to apply in the periods when the timing differences are expected to reverse, based on the tax rates and law enacted at the balance sheet date.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Foreign currency

Exchange differences on transactions completed in the ordinary course of business are dealt with in profit on ordinary activities.

Interest payable

Interest is written off to the profit and loss account as it is incurred.

Costain Engineering & Construction Limited

Notes to the Financial Statements for the Year Ended 31 December 2014

..... continued

Hire purchase and leasing

The annual rentals in respect of operating leases are charged to the profit and loss account.

Pensions

The company operates a pension scheme in the United Kingdom providing benefits based on pensionable salary. The assets of the scheme are held separately from those of the company.

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The liability recognised in the balance sheet in respect of the defined benefit pension scheme is the present value of the defined benefit obligations less the fair value of scheme assets at the balance sheet date.

The increase in the present value of the liabilities of the defined benefit pension scheme expected to arise from employee service in the period is charged to operating profit. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities arising from the passage of time are included in finance income and finance costs respectively. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account as incurred.

2 Operating profit

Operating profit is stated after charging/(crediting):	2014	2013
	£	£
Car leasing costs	4,114,004	3,859,126
Staff costs (Note 5)	156,437,637	137,070,884
Fees for the audit of the company (Note 3)	31,000	31,000

3 Auditor's remuneration

The audit fee was borne by another group company. Fees paid to KPMG LLP for services other than the statutory audit of the company are not disclosed in Costain Engineering & Construction Ltd's accounts since the consolidated accounts of Costain Engineering & Construction Ltd's ultimate parent, Costain Group PLC, are required to disclose non-audit fees on a consolidated basis.

Costain Engineering & Construction Limited

Notes to the Financial Statements for the Year Ended 31 December 2014

..... *continued*

4 Profit on sale / Provisions against fixed assets

		2014 £	2013 £
Profit on sale of investments		4,220,087	11,133,320
Provisions against investments	10	<u>12,400,000</u>	<u>(14,600,000)</u>
		<u>16,620,087</u>	<u>(3,466,680)</u>

Profit on sale of investments

The £4.2 million profit on sale of investments arises from the transfer of its interests in Lewisham Schools for the Future Holdings 3 Limited and Lewisham Schools for the Future Holdings 4 Limited, to The Costain Pension Scheme.

The £11.1 million profit in 2013 relates to the sale of its interests in Severn Trent Costain Holdings Ltd and Severn Trent Services Limited.

5 Particulars of employees

	2014 £	2013 £
Wages and salaries	135,878,778	119,168,960
Social security costs	14,856,321	13,224,693
Pension costs	5,702,538	4,677,231
Total payroll costs	<u>156,437,637</u>	<u>137,070,884</u>

The average number of persons employed by the company during the year in the United Kingdom was 2,699 (2013: 2,411). All staff were seconded to fellow subsidiaries and their costs charged.

6 Directors' remuneration

No remuneration was paid to the directors of the company during the year (2013: £nil).

Costain Engineering & Construction Limited

Notes to the Financial Statements for the Year Ended 31 December 2014

..... *continued*

7 Other interest receivable and similar income

	2014	2013
	£	£
Other interest receivable	<u>659,246</u>	<u>673,449</u>

8 Interest payable and similar charges

		2014	2013
		£	£
Interest on loans from group undertakings		707,500	707,500
Pension scheme finance costs	17	<u>(23,000)</u>	<u>1,840,000</u>
		<u>684,500</u>	<u>2,547,500</u>

Costain Engineering & Construction Limited

Notes to the Financial Statements for the Year Ended 31 December 2014

..... *continued*

9 Taxation

Tax on profit on ordinary activities

	2014 £	2013 £
Current tax		
Group relief receivable	(1,352,412)	(2,831,296)
Adjustments in respect of previous years	(69,130)	(97,054)
Total current tax	(1,421,542)	(2,928,350)
Deferred tax		
Origination and reversal of timing differences	2,109,059	2,119,160
Total tax on profit on ordinary activities	687,517	(809,190)

Factors affecting current tax charge for the year

The differences are reconciled below:

	2014 £	2013 £
Profit on ordinary activities before taxation	29,110,106	8,454,824
Corporation tax at 21.5% (2013: 23.25%)	6,258,673	1,965,747
Pension timing differences	(2,882,566)	(1,747,027)
Movement in other timing differences	(892,335)	(2,977,862)
Group income	(30,651)	(296,797)
Sundry disallowed expenditure	13,556	5,906
Write-off of amount owing by Employee Benefit Trust	430,020	361,694
Adjustment in respect of prior years	(69,130)	(97,054)
Provisions relating to subsidiaries and associates	(2,666,000)	3,394,500
Tax free gains and tax relief on the exercise of share awards	(1,583,109)	(3,537,457)
Total current tax	(1,421,542)	(2,928,350)

Costain Engineering & Construction Limited

Notes to the Financial Statements for the Year Ended 31 December 2014

..... continued

Factors that may affect future tax charges

The elements of deferred taxation at 20% (2013 : 21%) are as follows:

	2014	2013
	£	£
Deferred tax asset on pension liability (Note 17)	8,335,739	7,804,739
Timing difference relating to spreading of pension contributions (Note 11)	1,458,127	2,154,186

The Finance Act 2013 enacted on 17 July 2013 reduced the main rate of corporation tax to 21% from 1 April 2014 and to 20% from 1 April 2015. This will reduce the company's future current tax accordingly.

The deferred tax at the balance sheet date has been calculated at the rate of 20% .

The company has other deferred taxation assets that have not been recognised on the basis that the 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 20% (2013 : 21%) were:

	2014	2013
	£	£
Other timing differences	534,158	809,296
Trading tax losses	462,252	485,365
Capital losses	47,664	50,048

Costain Engineering & Construction Limited

Notes to the Financial Statements for the Year Ended 31 December 2014

..... continued

10 Investments held as fixed assets

	2014 £	2013 £
Shares in group undertakings and participating interests	71,735,360	59,342,560
Loans to group undertakings and participating interests	1,748,837	4,807,346
Other investments	560,046	560,046
	<u>74,044,243</u>	<u>64,709,952</u>

Shares in group undertakings and participating interests

	Subsidiary undertakings £	Joints ventures and associates £	Total £
Cost			
At 1 January 2014	140,486,957	55,601	140,542,558
Disposals	-	(7,200)	(7,200)
At 31 December 2014	<u>140,486,957</u>	<u>48,401</u>	<u>140,535,358</u>
Provision for impairment			
At 1 January 2013	(81,199,998)	-	(81,199,998)
Adjustment for the year	12,400,000	-	12,400,000
At 31 December 2014	<u>(68,799,998)</u>	<u>-</u>	<u>(68,799,998)</u>
Net book value			
At 31 December 2014	<u>71,686,959</u>	<u>48,401</u>	<u>71,735,360</u>

Loans to group undertakings and participating interests

	Joint ventures and associates £	Total £
At 1 January 2014	4,807,346	4,807,346
Repaid	(3,058,509)	(3,058,509)
At 31 December 2014	<u>1,748,837</u>	<u>1,748,837</u>

Costain Engineering & Construction Limited

Notes to the Financial Statements for the Year Ended 31 December 2014

..... *continued*

Other investments

	Unlisted investments £	Total £
Cost		
At 1 January 2014 and 31 December 2014	2,219,637	2,219,637
Provision for impairment		
At 1 January 2014 and 31 December 2014	<u>(1,659,591)</u>	<u>(1,659,591)</u>
Net book value		
At 31 December 2014	<u>560,046</u>	<u>560,046</u>
At 31 December 2013	<u>560,046</u>	<u>560,046</u>

Details of undertakings

Details of the investments in which the company holds, directly or indirectly, 20% or more of the nominal value of any class of share capital are as follows:

Undertaking	Proportion of voting rights and shares held	Principal activity
Subsidiary undertakings		
CLM Engineering (Overseas) Ltd	100%	Not trading
Costain Abu Dhabi Co WLL	49%	Process Engineering
Costain Alcaidesa Ltd	100%	Holding company
Costain Building & Civil Engineering Ltd	100%	Building and Civil Engineering
Costain Construction Ltd	100%	Not trading
Costain Construction (Botswana) Pty Ltd	100%	Not trading
Costain de Venezuela C.A.	100%	Dormant
Costain Energy Solutions Ltd	100%	Holding company
Costain Engineering & Construction (Overseas) Ltd	100%	Holding company
Costain International Ltd	100%	Not trading
Costain Holdings (Botswana) Pty Ltd	100%	Holding company
Costain Holdings (Malaysia) Sdn Bhd	100%	Not trading
Costain Holdings Zimbabwe (Pvt) Ltd	100%	Not trading
Costain Housing Zimbabwe (Pvt) Ltd	100%	Not trading
Costain (Malaysia) Sdn Bhd	100%	Not trading
Costain Management Design Ltd	100%	Dormant

Costain Engineering & Construction Limited

Notes to the Financial Statements for the Year Ended 31 December 2014

..... *continued*

Costain (Middle East) Limited	100%	Not trading
Costain Mining Zimbabwe (Pvt) Ltd	100%	Dormant
Costain Oil, Gas & Process (Nigeria) Ltd	95%	Not trading
Costain Oil, Gas & Process (Overseas) Ltd	100%	Not trading
Costain Oil, Gas & Process (Malaysia) Sdn Bhd	100%	Not trading
Costain Oil, Gas & Process Ltd	100%	Process Engineering
Costain Process Construction Ltd	100%	Dormant
Costain Properties Zimbabwe (Pvt) Ltd	100%	Dormant
Land and Marine Engineering (India) Ltd	100%	Dormant
National Road Operators Ltd	100%	Dormant
Southview Holdings (Private) Limited	100%	Property
Westminster Plant Co Ltd	100%	Dormant

Joint ventures

Budimex & Costain Sp. z.o.o	50%	Dormant
China Harbour-Costain Mexico S de RL de CV	50%	Not trading
Costain Petrofac Ltd	50%	Process Engineering
Jalal Costain WLL	49%	Not trading
Nesma-Costain Process Company Ltd	50%	Not trading

Associates

Integrated Bradford LEP Limited	40%	Construction and Operation of Schools
Lewisham Schools for the Future LEP Ltd	40%	Construction and Operation of Schools

11 Debtors

	2014 £	2013 £
Amounts owed by group undertakings	34,025,479	53,960,263
Other debtors	1,766,538	2,922,259
Group relief receivable	1,352,412	2,831,296
Deferred tax	1,458,127	2,154,186
Prepayments and accrued income	657,934	386,580
	<u>39,260,490</u>	<u>62,254,584</u>

Costain Engineering & Construction Limited

Notes to the Financial Statements for the Year Ended 31 December 2014

..... *continued*

Deferred tax

The movement in the deferred tax asset in the year is as follows:

	£
At 1 January 2014	2,154,186
Deferred tax utilised during the year	<u>(696,059)</u>
At 31 December 2014	<u><u>1,458,127</u></u>

12 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. In addition, these arrangements 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. The directly held cash balance at 31 December 2014 was £Nil (2013: £Nil).

13 Creditors: Amounts falling due within one year

	2014 £	2013 £
Amounts owed to group undertakings	13,276,035	42,672,498
Other taxes and social security	4,493,081	4,386,871
Other creditors	1,360,404	76,281
Accruals and deferred income	<u>3,180,452</u>	<u>5,262,714</u>
	<u><u>22,309,972</u></u>	<u><u>52,398,364</u></u>

14 Share capital

Allotted, called up and fully paid shares

	2014		2013	
	No.	£	No.	£
Ordinary shares of £1 each	<u>41,203,555</u>	<u>41,203,555</u>	<u>41,203,555</u>	<u>41,203,555</u>

Costain Engineering & Construction Limited

Notes to the Financial Statements for the Year Ended 31 December 2014

..... continued

15 Reserves

	Share premium account £	Other reserves £	Profit and loss account £	Total £
At 1 January 2014	19,804,043	12,425,095	(28,226,782)	4,002,356
Profit for the year	-	-	28,422,589	28,422,589
Actuarial loss on pension scheme	-	-	(17,920,000)	(17,920,000)
Deferred tax relating to actuarial loss on pension scheme	-	-	1,944,000	1,944,000
At 31 December 2014	<u>19,804,043</u>	<u>12,425,095</u>	<u>(15,780,193)</u>	<u>16,448,945</u>

16 Reconciliation of movement in shareholders' funds

	2014 £	2013 £
Profit attributable to the members of the company	28,422,589	9,264,014
Other recognised gains and losses relating to the year	<u>(15,976,000)</u>	<u>2,245,571</u>
Net addition to shareholders' funds	12,446,589	11,509,585
Shareholders' funds at 1 January	<u>45,205,911</u>	<u>33,696,326</u>
Shareholders' funds at 31 December	<u>57,652,500</u>	<u>45,205,911</u>

Costain Engineering & Construction Limited

Notes to the Financial Statements for the Year Ended 31 December 2014

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17 Pension schemes

Defined benefit pension schemes

Defined benefit pension scheme

The company operates a defined benefit pension scheme, which was closed for future accrual on 30 September 2009. From 1 April 2006 until the date of closure, participating employees were provided with benefits on a Career Average Revalued Earnings basis. The scheme was replaced by a defined contribution scheme.

A full actuarial valuation of the defined benefit scheme was carried out at 31 March 2013 and was updated to 31 December 2014 by a qualified independent actuary. Details of the scheme are included in the financial statements of Costain Group PLC.

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the balance sheet are as follows:

	2014 £	2013 £
Fair value of scheme assets	659,300,000	592,492,000
Present value of scheme liabilities	<u>(700,978,000)</u>	<u>(629,657,000)</u>
Defined benefit pension scheme deficit	(41,678,000)	(37,165,000)
Related deferred tax asset	<u>8,335,739</u>	<u>7,804,739</u>
Net liability in the balance sheet	<u><u>(33,342,261)</u></u>	<u><u>(29,360,261)</u></u>

Scheme assets

Changes in the fair value of scheme assets are as follows:

	2014 £	2013 £
Fair value at start of year	592,492,000	558,800,000
Expected return on assets	28,339,000	24,397,000
Actuarial gains and losses	53,249,000	28,758,000
Employer contributions	13,384,000	9,354,000
Benefits paid	<u>(28,164,000)</u>	<u>(28,817,000)</u>
Fair value at end of year	<u><u>659,300,000</u></u>	<u><u>592,492,000</u></u>

Costain Engineering & Construction Limited

Notes to the Financial Statements for the Year Ended 31 December 2014

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Analysis of assets

The major categories of scheme assets are as follows:

	2014 £	2013 £
Equity instruments	146,100,000	175,600,000
Debt instruments	374,300,000	278,100,000
Property	22,300,000	21,000,000
Other assets	116,600,000	117,792,000
	<u>659,300,000</u>	<u>592,492,000</u>

Actual return on scheme's assets

	2014 £	2013 £
Actual return on scheme assets	<u>81,588,000</u>	<u>53,155,000</u>

The pension scheme has not invested in any of the company's own financial instruments or in properties or other assets used by the company.

The overall expected return on assets assumption is derived as the weighted average of the expected returns from each of the main asset classes.

Scheme liabilities

Changes in the present value of scheme liabilities are as follows:

	2014 £	2013 £
Present value at start of year	629,657,000	610,691,000
Actuarial losses	71,169,000	21,546,000
Interest cost	28,316,000	26,237,000
Benefits paid	<u>(28,164,000)</u>	<u>(28,817,000)</u>
Present value at end of year	<u>700,978,000</u>	<u>629,657,000</u>

Costain Engineering & Construction Limited

Notes to the Financial Statements for the Year Ended 31 December 2014

..... continued

Principal actuarial assumptions

The principal actuarial assumptions at the balance sheet date are as follows:

	2014 %	2013 %
Discount rate	3.60	4.60
Future pension increases	2.85	3.20
Inflation	2.90	3.30
Expected return on scheme assets - equity	5.50	6.20
Expected return on scheme assets - other	2.00	3.20

Post retirement mortality assumptions

	2014 Years	2013 Years
Current pensioners at retirement age - male	22.10	22.00
Current pensioners at retirement age - female	24.60	24.50
Future pensioners at retirement age - male	23.90	23.80
Future pensioners at retirement age - female	26.50	26.40

Amounts recognised in the profit and loss account

	2014 £	2013 £
Amounts recognised in operating profit		
Recognised in arriving at operating profit	-	-
Amounts recognised in other finance (income)/cost		
Interest cost	28,316,000	26,237,000
Expected return on scheme assets	(28,339,000)	(24,397,000)
Recognised in finance income/costs	(23,000)	1,840,000
Total recognised in the profit and loss account	(23,000)	1,840,000

Costain Engineering & Construction Limited

Notes to the Financial Statements for the Year Ended 31 December 2014

..... continued

Amounts recognised in the statement of total recognised gains and losses

	2014 £	2013 £
Actual return less expected return on scheme assets	53,249,000	28,758,000
Changes in assumptions	<u>(71,169,000)</u>	<u>(21,546,000)</u>
Actuarial gains and losses recognised in the statement of total recognised gains and losses	<u>(17,920,000)</u>	<u>7,212,000</u>

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and (losses) since 1 January 2002 is (£167,573,000) (2013 - (£149,653,000)).

History of experience adjustments on scheme assets and liabilities

Amounts for the current and previous periods are as follows:

	2014 £	2013 £	2012 £	2011 £	2010 £
Fair value of scheme assets	659,300,000	592,492,000	558,800,000	547,900,000	537,100,000
Present value of scheme liabilities	<u>(700,978,000)</u>	<u>(629,657,000)</u>	<u>(610,691,000)</u>	<u>(600,835,000)</u>	<u>(576,669,220)</u>
Deficit in scheme	<u>(41,678,000)</u>	<u>(37,165,000)</u>	<u>(51,891,000)</u>	<u>(52,935,000)</u>	<u>(39,569,220)</u>

Experience adjustments:

	2014 £	2013 £	2012 £	2011 £	2010 £
Experience adjustments arising on scheme assets	<u>53,249,000</u>	<u>28,758,000</u>	<u>16,234,000</u>	<u>(3,815,000)</u>	<u>33,125,000</u>
Experience adjustments arising on scheme liabilities	<u>-</u>	<u>(8,911,000)</u>	<u>-</u>	<u>-</u>	<u>18,467,000</u>

Costain Engineering & Construction Limited

Notes to the Financial Statements for the Year Ended 31 December 2014

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18 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 2014, these liabilities amounted to £nil (2013: £25 million).

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

19 Commitments

Operating lease commitments

As at 31 December 2014 the company had annual commitments under non-cancellable operating leases as follows:

Operating leases which expire:

	2014	2013
	£	£
Other		
Within one year	1,330,471	1,083,493
Within two and five years	<u>2,783,533</u>	<u>2,775,633</u>
	<u><u>4,114,004</u></u>	<u><u>3,859,126</u></u>

20 Related party transactions

The company provided funding to its investments in joint ventures and associates (Note 10) of £Nil (2013: £2,184,000), received interest of £500,000 (2013: £588,000) and received dividends of £143,000 (2013: £1,277,000).

Details of the transactions between the company and The Costain Pension Scheme are in Note 17.

Transactions with wholly owned subsidiaries of Costain Group PLC, the ultimate parent company, are exempt from disclosure under FRS 8 Related party disclosures.

21 Control

The largest and the smallest group of undertakings for which group accounts are drawn up is that of the ultimate parent undertaking, 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, Costain House, Vanwall Business Park, Maidenhead, Berkshire SL6 4UB.