

COSTAIN ENGINEERING & CONSTRUCTION (OVERSEAS) LIMITED

REGISTERED NUMBER 2440830

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2007

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28/03/2008

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COMPANIES HOUSE

KPMG Audit Plc
Chartered Accountants
Registered Auditor
LONDON

COSTAIN ENGINEERING & CONSTRUCTION (OVERSEAS) LIMITED
REPORT OF THE DIRECTORS
For the year ended 31 December 2007

BUSINESS REVIEW

The company is a holding company for Costain Group's overseas engineering and construction operations outside the United States

The results for the year are set out in the Profit and Loss Account on page 4

DIRECTORS

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

A Wyllie
A O Bickerstaff
C L Franks

DISCLOSURE OF INFORMATION TO AUDITORS

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

AUDITORS

Pursuant to a shareholders' resolution, the company is not obliged to re-appoint its auditors annually and KPMG Audit Plc will therefore continue in office

BY ORDER OF THE BOARD


CLIVE L FRANKS
SECRETARY

28 March 2008

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

COSTAIN ENGINEERING & CONSTRUCTION (OVERSEAS) LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS'
REPORT AND THE FINANCIAL STATEMENTS
For the year ended 31 December 2007

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently,
- make 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF COSTAIN ENGINEERING & CONSTRUCTION (OVERSEAS) LIMITED

For the year ended 31 December 2007

We have audited the financial statements of Costain Engineering & Construction (Overseas) Limited for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 2

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Director's Report is consistent with the financial statements

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements

Opinion

In our opinion,

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
LONDON

28 March 2008

Date

COSTAIN ENGINEERING & CONSTRUCTION (OVERSEAS) LIMITED
PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2007

	Notes	2007	2006
		£	£
Turnover		-	-
Cost of sales		(140)	(59,494)
		<hr/>	<hr/>
Gross loss		(140)	(59,494)
Administrative expenses		-	-
		<hr/>	<hr/>
Operating loss		(140)	(59,494)
Provision against investment in subsidiary company		-	(38,896)
Provision against loan to an associate		-	(3,857,000)
Release of provision/(provision) for losses of joint venture		4,900,000	(5,150,000)
Profit on sale of associate		557,594	-
Interest receivable on amounts due from.			
- fellow subsidiary undertaking		278,486	185,214
- associate		-	299,830
Interest payable		(30,938)	-
		<hr/>	<hr/>
Profit/(loss) on ordinary activities before taxation	2	5,705,002	(8,620,346)
Taxation	6	18,862	-
		<hr/>	<hr/>
Profit/(loss) for the financial year	14	5,723,864	(8,620,346)
		<hr/>	<hr/>

All operating losses are attributable to continuing operations

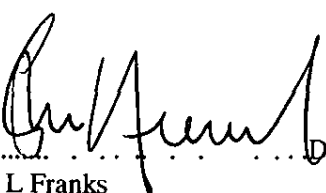
There were no recognised gains or losses other than the profit for the year and the loss for the preceding year

THE NOTES ON PAGES 6 TO 11 FORM PART OF THESE FINANCIAL STATEMENTS

COSTAIN ENGINEERING & CONSTRUCTION (OVERSEAS) LIMITED
BALANCE SHEET
As at 31 December 2007

	Notes	2007	2006
		£	£
Fixed assets			
Investments	7	935	1,005,158
		<hr/>	<hr/>
Current assets			
Debtors	8	6,162,613	4,653,318
		<hr/>	<hr/>
Creditors: amounts falling due within one year	10	(72)	(318,864)
		<hr/>	<hr/>
Net current assets		6,162,541	4,334,454
		<hr/>	<hr/>
Total assets less current liabilities		6,163,476	5,339,612
		<hr/>	<hr/>
Provisions for liabilities and charges	11	(250,000)	(5,150,000)
		<hr/>	<hr/>
Net assets		5,913,476	189,612
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	12	4,448,043	4,448,043
Share premium account	13	1,331,358	1,331,358
Profit and loss account	13	134,075	(5,589,789)
		<hr/>	<hr/>
Equity shareholders' funds	14	5,913,476	189,612
		<hr/>	<hr/>

The financial statements were approved by the Board of Directors on 28 March 2008 and were signed on its behalf by


 Director
 C L Franks

THE NOTES ON PAGES 6 TO 11 FORM PART OF THESE FINANCIAL STATEMENTS

COSTAIN ENGINEERING & CONSTRUCTION (OVERSEAS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2007

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

The financial statements present information about the company as an individual undertaking and not about its Group. The company is exempt from preparing group accounts (under section 228 of the Companies Act 1985) as it is included in the consolidated accounts of its ultimate parent company

TURNOVER

Turnover represents the amounts (excluding value added tax) receivable for services provided

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 transaction

TAXATION

Deferred taxation has been recognised as a liability or asset, except as otherwise required by FRS 19 'Deferred Tax' if transactions have occurred at the balance sheet date that give rise to an obligation to pay more taxation in future, or a right to pay less taxation in future. An asset is not recognised to the extent that the transfer of economic benefit in future is uncertain. Deferred tax assets and liabilities recognised have not been discounted

PENSIONS

The company participates, on a defined contribution basis, in a pension scheme for the benefit of its employees. The assets of the scheme are held separately from those of the company in an independently administered fund

The costs 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

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

COSTAIN ENGINEERING & CONSTRUCTION (OVERSEAS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS continued
For the year ended 31 December 2007

2. Profit on ordinary activities before taxation

	2007 £	2006 £
Profit on ordinary activities before taxation is after charging		
Release of provision/(provision) for losses of joint venture	4,900,000	(5,150,000)
Profit on sale of associate	557,594	-
	<hr/>	<hr/>

The funding obligations of a joint venture were fulfilled by a fellow subsidiary, as a result the company did not incur a loss nor require the provision made in the 2006 results (see also note 11)

The company sold its investment in Costain (West Africa) Plc, an associate, during 2007, realising a profit

3. Auditor's remuneration

	2007 £	2006 £
Fees for the audit of the company	8,000	8,000
	<hr/>	<hr/>

There are no fees paid to KPMG Audit plc for services other than the statutory audit of the company. The audit fee was borne by another group company.

4. Staff costs

The total number of staff employed by the company at year-end was 14 (2006: 26), all of which were seconded full-time to the overseas contracts of fellow subsidiary undertakings. No costs for these staff were incurred by the company.

The company incurs pension costs in respect of employees, who participate in Costain Group's UK pensions scheme, on a defined contributions basis. The scheme is a defined benefits scheme and provides benefits to the employee based on final pensionable salary. Details of this scheme are included in the accounts of Costain Group PLC. The company does not participate in any surplus that may arise in the scheme.

The cost for the period of contributions to this scheme was £nil (2006: £nil). There are no outstanding or prepaid contributions at the balance sheet date (2006: £nil).

5. Remuneration of directors

No emoluments were paid to the directors of the company during the year (2006: £nil).

6. Taxation

	2007 £	2006 £
On profit/(loss) for the year		
United Kingdom corporation tax at 30%	-	-
Adjustment in respect of prior years	18,862	-
	<hr/>	<hr/>
Tax on profit/(loss) on ordinary activities	18,862	-
	<hr/>	<hr/>

COSTAIN ENGINEERING & CONSTRUCTION (OVERSEAS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS continued
For the year ended 31 December 2007

6. Taxation – continued

Tax reconciliation	2007 £	2006 £
Profit/(loss) on ordinary activities before taxation	5,705,002	(8,620,346)
Tax at 30%	(1,711,500)	2,586,104
Movement on provisions	1,470,000	(2,747,496)
Profits not subject to tax	167,278	-
Group relief free of charge	74,222	161,392
Adjustment in respect of prior years	18,862	-
Total current tax	18,862	-

No deferred taxation has been recognised on the unremitted earnings of overseas subsidiaries and joint ventures as no dividends are proposed

The Company has deferred taxation assets that have not been recognised on the basis that their future economic benefit was not assured as at the balance sheet date. Tax relief will be obtained if suitable profits arise in future accounting periods.

The full potential deferred taxation assets not recognised at 28% (2006 30%) were

	2007 £	2006 £
Capital losses	715,065	766,141

7. Investments

	Shares in subsidiary undertakings £	Shares in joint ventures and associates £	Loans to associate £	Total £
Cost				
At 1 January 2007	1,824,009	2,866,683	4,632,000	9,322,692
Additions	-	165	-	165
Disposals	-	(422,407)	(4,632,000)	(5,054,407)
At 31 December 2007	1,824,009	2,444,441	-	4,268,450
Provisions				
At 1 January 2007	1,823,855	2,636,679	3,857,000	8,317,534
Disposals	-	(193,019)	(3,857,000)	(4,050,019)
At 31 December 2007	1,823,855	2,443,660	-	4,267,515
Net book value				
At 31 December 2007	154	781	-	935
At 31 December 2006	154	230,004	775,000	1,005,158

COSTAIN ENGINEERING & CONSTRUCTION (OVERSEAS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS continued
For the year ended 31 December 2007

8. Debtors

	2007	2006
	£	£
Amounts owing by fellow subsidiary undertakings	6,162,613	4,303,318
Amounts owing by joint venture	-	350,000
	<u>6,162,613</u>	<u>4,653,318</u>

9. Cash at bank, monies on deposit 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.

10. Creditors: amounts falling due within one year

	2007	2006
	£	£
Amounts owing to fellow subsidiary undertakings	72	2
Other creditors	-	300,000
Taxation	-	18,862
	<u>72</u>	<u>318,864</u>

11. Provisions for liabilities and charges

	At beginning of year £	Provided £	Released £	At end of year £
Other provisions	5,150,000	-	4,900,000	250,000
	<u>5,150,000</u>	<u>-</u>	<u>4,900,000</u>	<u>250,000</u>

Other provisions relate to funding obligations of a joint venture, to the extent that these were fulfilled by a fellow subsidiary during 2007, the provision has been released. The remaining provision is expected to be utilised over the next year.

12. Share capital

	2007 and 2006	
	Authorised £	Issued and fully paid £
Ordinary shares of £1 each	<u>10,000,000</u>	<u>4,448,043</u>

COSTAIN ENGINEERING & CONSTRUCTION (OVERSEAS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS continued
For the year ended 31 December 2007

13. Reserves

	Share premium account £	Profit and loss account £
At 1 January 2007	1,331,358	(5,589,789)
Profit for the financial year	-	5,723,864
At 31 December 2007	<u>1,331,358</u>	<u>134,075</u>

14. Reconciliation of movement in shareholders' funds

	2007 £	2006 £
Profit/(loss) for the financial year	5,723,864	(8,620,346)
Opening shareholders' funds	189,612	8,809,958
Closing shareholders' funds	<u>5,913,476</u>	<u>189,612</u>

15. 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 2007 these liabilities amounted to £nil (2006 £1 0m)

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

16. Related parties transactions

The company is exempt under Financial Reporting Standard 8 from the requirements to disclose related party transactions with other group companies on the basis that it is a wholly owned subsidiary of the ultimate parent company, Costain Group PLC

17. Ultimate parent undertaking

The largest and the smallest group of undertakings for which group financial statements are drawn up is that of the ultimate parent undertaking, 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

COSTAIN ENGINEERING & CONSTRUCTION (OVERSEAS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS continued
For the year ended 31 December 2007

18. Investment in subsidiary undertakings and participating interests

Subsidiary undertakings	Nature of Business	Percentage Interest	Country of Incorporation
Costain (Africa) Ltd	Construction	100	Zimbabwe
Costain Construction (Botswana) Pty Ltd	Construction	100	Botswana
Costain De Venezuela CA	Dormant	100	Venezuela
Costain Holdings (Botswana) Pty Ltd	Construction	100	Botswana
Costain Holdings (Malaysia) Sdn Bhd	Holding Company	100	Malaysia
Costain Housing Zimbabwe (Pvt) Ltd	Construction	100	Zimbabwe
Costain Interiors Limited	Dormant	100	UK
Costain (Malaysia) Sdn Bhd	Construction	100*	Malaysia
Costain Mining Zimbabwe (Pvt) Ltd	Dormant	100	Zimbabwe
Costain Oil, Gas & Process (Malaysia) Sdn Bhd	Engineering	100*	Malaysia
Costain Oil, Gas & Process (Nigeria) Ltd	Process Contracting	75	Nigeria
Costain Properties Zimbabwe (Pvt) Ltd	Dormant	100	Zimbabwe
Costain Zimbabwe (Pvt) Ltd	Construction	85*	Zimbabwe

Joint ventures

Baja Dolphin S de RL de CV	Service Company	50	Mexico
Budimex & Costain Sp z o o	Construction	50	Poland
China Harbour – Costain Mexico S de RL de CV	Civil Engineering	50	Mexico
Jalal Costain WLL	Construction	49	Bahrain
Nesma Costain Process Co Ltd	Process Contracting	50	Saudi Arabia

All interests are ordinary shares

* Shares held by subsidiary company