

Registration number: 02440830

Costain Engineering & Construction (Overseas) Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2016

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Costain Engineering & Construction (Overseas) Limited

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Costain Engineering & Construction (Overseas) Limited

Company Information

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

Costain Engineering & Construction (Overseas) Limited

Directors' Report for the Year Ended 31 December 2016

The directors present their report and the financial statements for the year ended 31 December 2016.

Directors' of the company

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

A Wyllie

A O Bickerstaff

T A Wood - Company secretary and director

Dividends

The directors do not recommend the payment of a dividend for the year ended 31 December 2016 (2015: £Nil).

Business review

Fair review of the business

The principle activity of the business is as a holding company for Costain Group's overseas investments outside the United States.

The company recorded a profit after tax of £32,132 (2015: £278,320).

Dividends

The directors do not recommend the payment of a dividend for the year ended 31 December 2016 (2015: £Nil).

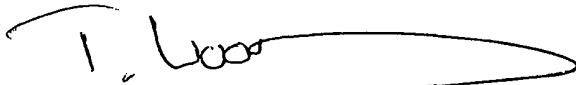
Disclosure of information to the auditors

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Reappointment of auditors

During 2016, Costain Group PLC, the company's ultimate parent, decided to change its auditors in recognition of good governance. A number of firms were approached to tender for the audit and it has been recommended to the Board that PricewaterhouseCoopers LLP be proposed as auditor of Costain Group PLC and its subsidiary companies. As a result of the tender, KPMG LLP's appointment will expire following the approval of these accounts by the directors and appointment of PricewaterhouseCoopers LLP as the company's auditor for the financial year ending 31 December 2017 will be proposed at the company's AGM.

Approved by the Board on 26 April 2017 and signed on its behalf by:



T A Wood

Company secretary and director

Costain Engineering & Construction (Overseas) Limited

Statement of Directors' Responsibilities

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 the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards and applicable law (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework' (FRS 101').

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 United Kingdom 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 Engineering & Construction (Overseas) Ltd

We have audited the financial statements of Costain Engineering & Construction (Overseas) Limited for the year ended 31 December 2016, set out on pages 6 to 18. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 '*Reduced Disclosure Framework*'.

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 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 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 2016 and of its profit 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 is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Directors' Report:

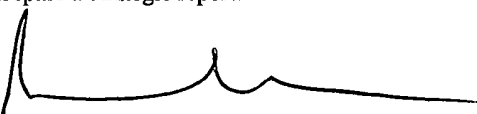
- we have not identified material misstatements in that report; and
- in our opinion, that report has been prepared in accordance with the Companies Act 2006.

Independent Auditor's Report to the members of Costain Engineering & Construction (Overseas) Ltd

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; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.



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

15 Canada Square
London
E14 5GL

26 April 2017

Costain Engineering & Construction (Overseas) Limited

Profit and Loss Account for the Year Ended 31 December 2016

	Note	2016 £	2015 £
Turnover		-	-
Administrative expenses		-	132,000
Operating profit	3	-	132,000
Income from fixed asset investments		-	114,705
Finance income	6	38,915	38,374
Profit before tax		38,915	285,079
Income tax expense	7	(6,783)	(6,759)
Profit for the year		32,132	278,320

The above results were derived from continuing operations.

The notes on pages 10 to 18 form an integral part of these financial statements.

Costain Engineering & Construction (Overseas) Limited

Statement of Comprehensive Income for the Year Ended 31 December 2016

	Note	2016 £	2015 £
Profit for the year		<u>32,132</u>	<u>278,320</u>
Total comprehensive income for the year		<u><u>32,132</u></u>	<u><u>278,320</u></u>


The notes on pages 10 to 18 form an integral part of these financial statements.

Costain Engineering & Construction (Overseas) Limited

(Registration number: 02440830)
Balance Sheet as at 31 December 2016

	Note	2016 £	2015 £
Fixed assets			
Investments	8	6	6
Current assets			
Debtors	9	7,812,567	7,791,650
Creditors: Amounts falling due within one year			
Trade and other creditors	10	(1,917)	-
Income tax liability	7	<u>(6,783)</u>	<u>(6,757)</u>
Creditors: Amounts falling due within one year		<u>(8,700)</u>	<u>(6,757)</u>
Net current assets		<u>7,803,867</u>	<u>7,784,893</u>
Total assets less current liabilities		7,803,873	7,784,899
Provisions for liabilities	11, 7	<u>(49,347)</u>	<u>(62,505)</u>
Net assets		<u>7,754,526</u>	<u>7,722,394</u>
Capital and reserves			
Called up share capital	12	4,448,043	4,448,043
Share premium reserve		1,331,358	1,331,358
Profit and loss account		<u>1,975,125</u>	<u>1,942,993</u>
Shareholders' funds		<u>7,754,526</u>	<u>7,722,394</u>

Approved by the Board on 26 April 2017 and signed on its behalf by:



A O Bickerstaff

Director

The notes on pages 10 to 18 form an integral part of these financial statements.

Costain Engineering & Construction (Overseas) Limited

Statement of Changes in Equity for the Year Ended 31 December 2016

	Share capital £	Share premium £	Retained earnings £	Total £
At 1 January 2016	4,448,043	1,331,358	1,942,993	7,722,394
Profit for the year	-	-	32,132	32,132
Total comprehensive income	-	-	32,132	32,132
At 31 December 2016	4,448,043	1,331,358	1,975,125	7,754,526

	Share capital £	Share premium £	Retained earnings £	Total £
At 1 January 2015	4,448,043	1,331,358	1,664,673	7,444,074
Profit for the year	-	-	278,320	278,320
Total comprehensive income	-	-	278,320	278,320
At 31 December 2015	4,448,043	1,331,358	1,942,993	7,722,394

The notes on pages 10 to 18 form an integral part of these financial statements.

Costain Engineering & Construction (Overseas) Limited

Notes to the Financial Statements for the Year Ended 31 December 2016

1 General information

The company is a private company limited by share capital incorporated in England and Wales and domiciled in England.

The address of its registered office is:

Costain House

Vanwall Business Park

Maidenhead

Berkshire

SL6 4UB

UK

These financial statements were authorised for issue by the Board on 26 April 2017.

Costain Engineering & Construction (Overseas) Limited

Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework.

Summary of disclosure exemptions

The company has taken advantage of the following disclosure exemptions under FRS 101:

- (a) The requirements of IAS 1 to provide a Balance Sheet at the beginning of the year in the event of a prior year adjustment;
- (b) The requirements of IAS 1 to provide a Statement of Cash flows for the year;
- (c) The requirements of IAS 1 to provide a statement of compliance with IFRS;
- (d) The requirements of IAS 1 to disclose information on the management of capital;
- (e) The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to disclose new IFRS's that have been issued but are not yet effective;
- (f) The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
- (g) The requirements of paragraph 17 of IAS 24 Related Party Disclosures to disclose key management personnel compensation;
- (h) The requirements of IFRS 7 to disclose financial instruments; and
- (i) The requirements of paragraphs 91-99 of IFRS13 Fair Value Measurement to disclose information of fair value valuation techniques and inputs.

Disclosure exemptions for subsidiaries are permitted where the relevant disclosure requirements are met in the consolidated financial statements. Where required, equivalent disclosures are given in the group accounts of Costain Group PLC.

Going concern

The financial statements have been prepared on a going concern basis.

Tax

The tax expense for the period comprises current tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The notes on pages 10 to 18 form an integral part of these financial statements.

Costain Engineering & Construction (Overseas) Limited

Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

2 Accounting policies (continued)

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

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.

Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

3 Operating profit

Operating profit/(loss) is stated after charging/(crediting):

	2016 £	2015 £
Administrative expenses	-	(132,000)

The prior year's administrative expenses credit of £132,000 is a release of provisions for international company closure costs, that are now being covered by another group company.

4 Auditors' remuneration

The deemed audit fee for the company was £5,000 (2015: £5,000).

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

5 Directors' remuneration

No emoluments were paid to the directors of the company during the year (2015: £nil.)

The notes on pages 10 to 18 form an integral part of these financial statements.

Costain Engineering & Construction (Overseas) Limited

Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

6 Other interest receivable and similar income

	2016	2015
	£	£
Interest income from group undertakings	<u>38,915</u>	<u>38,374</u>

Costain Engineering & Construction (Overseas) Limited

Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

7 Income tax

Tax charged/(credited) in the profit and loss account

	2016 £	2015 £
Current taxation		
UK corporation tax	6,783	6,757
UK corporation tax adjustment to prior periods	-	2
	<u>6,783</u>	<u>6,759</u>

The tax on profit before tax for the year is the same as the standard rate of corporation tax in the UK (2015 - the same as the standard rate of corporation tax in the UK) of 20% (2015 - 20.25%).

The differences are reconciled below:

	2016 £	2015 £
Profit before tax	<u>38,915</u>	<u>285,079</u>
Corporation tax at standard rate	7,783	57,728
Increase (decrease) in current tax from adjustment for prior periods	-	2
Decrease (increase) from effect of revenues exempt from taxation	-	(23,228)
Increase (decrease) from effect of expenses not deductible in determining taxable profit (tax loss)	(1,000)	(1,013)
Increase (decrease) in current tax from unrecognised temporary difference from a prior period	-	(26,730)
Total tax charge	<u>6,783</u>	<u>6,759</u>

The rate of corporation tax reduces to 19% with effect from 1 April 2017 and to 17% with effect from 1 April 2020.

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

The Company has other 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.

	2016 £	2015 £
Gross capital losses	2,553,805	2,553,805

The notes on pages 10 to 18 form an integral part of these financial statements.

Costain Engineering & Construction (Overseas) Limited

Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

8 Investments

Subsidiaries	£
Cost or valuation	
At 1 January 2015	1,823,861
At 31 December 2015	1,823,861
At 1 January 2016	1,823,861
At 31 December 2016	1,823,861
Provision	
At 1 January 2015	1,823,855
At 31 December 2015	1,823,855
At 1 January 2016	1,823,855
At 31 December 2016	1,823,855
Carrying amount	
At 31 December 2016	6
At 31 December 2015	6
At 1 January 2015	6

Details of the subsidiaries as at 31 December 2016 are as follows:

Name of subsidiary	Principal activity	Proportion of ownership interest and voting rights held		Registered office
		2016	2015	
Costain Construction (Botswana) Pty Ltd*	Inactive	100%	100%	(1)
Costain de Venezuela CA*	Dormant	100%	100%	(2)
Costain Holdings (Botswana) Pty Ltd*	Holding Company	100%	100%	(1)
Costain Holdings (Malaysia) Sdn Bhd*	Holding Company	100%	100%	(3)
Costain (Malaysia) Sdn Bhd	Inactive	100%	100%	(3)
Costain Oil, Gas & Process (Malaysia) Sdn Bhd	Inactive	100%	100%	(3)
Costain Oil, Gas & Process (Nigeria) Ltd*	Inactive	75%	75%	(4)
Southview Holdings (Pvt) Ltd*	Holding Company	100%	100%	(5)
Southview Investments (Pvt) Ltd	Property	100%	100%	(5)

* indicates direct investment of the Company.

The notes on pages 10 to 18 form an integral part of these financial statements.

Costain Engineering & Construction (Overseas) Limited

Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

8 Investments (continued)

- (1) Plot 67978, Mokolwane House, First Floor, Fairgrounds Office Park, Gaborone, Botswana
- (2) Dormant company - Venezuela, no record of address
- (3) Suite 16-10, Level 16, Wisma UOA II, No. 21 Jalan Pinang, 50450 Kuala Lumpur, Malaysia
- (4) Dormant company - Nigeria, no record of address
- (5) 10th Floor, Club Chambers Building, Corner Nelson Mandela Avenue / 3rd Street, Harare, Zimbabwe

Joint ventures

Details of the joint ventures as at 31 December 2016 are as follows:

Name of joint ventures	Principal activity	Proportion of ownership interest and voting rights held		Registered office
		2016	2015	
Budimex & Costain Sp. z.o.o *	Inactive	50%	50%	(6)
China Harbour – Costain Mexico S de RL de CV *	Inactive	50%	50%	(7)
Jalal Costain WLL *	Inactive	49%	49%	(8)
Nesma Costain Process Co Ltd *	Inactive	50%	50%	(9)

* indicates direct investment of the Company.

(6) Marszałkowska 82, Warsaw, Mazowieckie, 00-517, Poland

(7) Calle Delfines No. 268 - 2, Frac. Playa Ensenada, Ensenada, B.C., CP. 22880, Mexico

(8) Flat 33, Building 232, Road 18, Block 321, Manama, Bahrain

(9) P.O.Box, 6967, 21452, Jeddah, Saudi Arabia

Costain Engineering & Construction (Overseas) Limited

Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

9 Debtors

	2016 £	2015 £
Amounts owed by group undertakings	<u>7,812,567</u>	<u>7,791,650</u>

10 Trade and other creditors

Current

	2016 £	2015 £
Amounts owed to group undertakings	<u>1,917</u>	<u>-</u>

11 Other provisions

	Other provisions £	Total £
At 1 January 2016	62,505	62,505
Provisions used	<u>(13,158)</u>	<u>(13,158)</u>
At 31 December 2016	<u>49,347</u>	<u>49,347</u>
Current liabilities	<u>49,347</u>	<u>49,347</u>

12 Share capital

Allotted, called up and fully paid shares

	2016		2015	
	No.	£	No.	£
Ordinary shares of £1 each	<u>4,448,043</u>	<u>4,448,043</u>	<u>4,448,043</u>	<u>4,448,043</u>

13 Contingent liabilities

The company has entered into cross guarantees together with the ultimate parent company and certain fellow group undertakings for borrowing facilities made available to the group. At 31 December 2016 these liabilities amounted to £69.9 million (2015: £38.5 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.

The notes on pages 10 to 18 form an integral part of these financial statements.

Costain Engineering & Construction (Overseas) Limited

Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

14 Parent and ultimate parent undertaking

The company's immediate parent is Costain Engineering & Construction Limited.

The ultimate parent is Costain Group PLC.

The parent of the largest group producing publicly available financial statements in which these financial statements are consolidated is Costain Group PLC. These financial statements are available upon request from Costain House, Vanwall Business Park, Maidenhead, Berkshire, SL6 4UB.

The ultimate controlling party is Costain Group PLC.