

COSTAIN OVERSEAS HOLDINGS LIMITED

Registered Number: 2757907

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 December 1997

**KPMG Audit Plc
Chartered Accountants
Registered Auditor
GATWICK**



COSTAIN OVERSEAS HOLDINGS LIMITED

REPORT OF THE DIRECTORS

For the year ended 31 December 1997

BUSINESS REVIEW

The principal activity of the company is investment holding.

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

DIRECTORS AND SHARE INTERESTS

Directors who held office at the end of the year and their disclosable interests in shares, as recorded in the register of directors' interests:

		At 1.1.97	At 31.12.97
J A Armitt (appointed 9.4.97)			
M D Hunter	a	779	779
J R Campbell (appointed 29.1.97)			
A C Lovell (resigned 8.4.97)			

a - Costain Group PLC ordinary shares of 10p each.

BY ORDER OF THE BOARD



B W RACE
SECRETARY

REGISTERED OFFICE

111 Westminster Bridge Road
London SE1 7UE

Date: **- 2 APR 1998**

COSTAIN OVERSEAS HOLDINGS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

For the year ended 31 December 1997

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, unless it is inappropriate to presume that the company will continue in business, are supported by judgements and estimates that are reasonable and prudent, state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The directors are also responsible for ensuring that the company keeps proper accounting records which disclose with reasonable accuracy the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for safeguarding the assets of the company and for taking such steps as are reasonably open to them to prevent and detect fraud and other irregularities.

COSTAIN OVERSEAS HOLDINGS LIMITED

REPORT OF THE AUDITORS TO THE MEMBERS

For the year ended 31 December 1997

We have audited the financial statements on pages 4 to 9.

Respective responsibilities of directors and auditors

As described on page 2 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 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
GATWICK

2 April 1998

Date

COSTAIN OVERSEAS HOLDINGS LIMITED

PROFIT AND LOSS ACCOUNT

For the year end 31 December 1997

	Notes	1997 £	1996 £
Cost of sales		228,510	(1,208)
		<hr/>	<hr/>
Operating profit/(loss)		228,510	(1,208)
Provision against investment in subsidiary undertaking		(1,083,088)	-
Sale of investment in subsidiary undertaking		-	(23,992)
Dividends from subsidiary undertakings		1,083,088	15,387
		<hr/>	<hr/>
Profit/(loss) on ordinary activities before and after taxation	8	228,510	(9,813)
		<hr/>	<hr/>

There were no recognised gains or losses other than the profit for the year.

All operating profits/(losses) are attributable to continuing operations.

THE NOTES ON PAGES 6 TO 9 FORM PART OF THESE FINANCIAL STATEMENTS

COSTAIN OVERSEAS HOLDINGS LIMITED

BALANCE SHEET

As at 31 December 1997

	Notes	1997 £	1996 £
Fixed assets			
Investments	5	831,723	3,984,764
		<hr/>	<hr/>
Current assets			
Debtors	6	4,009,029	627,478
		<hr/>	<hr/>
Net current assets		4,009,029	627,478
		<hr/>	<hr/>
Net assets		4,840,752	4,612,242
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	7	4,100,000	4,100,000
Profit and loss account	8	740,752	512,242
		<hr/>	<hr/>
Shareholders' funds	9	4,840,752	4,612,242
		<hr/>	<hr/>

The financial statements were approved by the Board of Directors on
and were signed on its behalf by:



..... Director
J R Campbell

THE NOTES ON PAGES 6 TO 9 FORM PART OF THESE FINANCIAL STATEMENTS

COSTAIN OVERSEAS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 1997

1. Accounting policies

BASIS OF ACCOUNTING

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

FOREIGN CURRENCY TRANSACTIONS

Monetary assets and liabilities 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.

CASHFLOW STATEMENT

As the cashflow statement in the consolidated financial statements of the ultimate parent company, Costain Group PLC, complies with the conditions of Financial Reporting Standard No 1 (Revised) ("FRS 1 (Revised)"), the company is exempt under FRS 1 (Revised) from the requirements to prepare a separate cashflow statement.

2. Operating profit/(loss) on ordinary activities before taxation stated after:

	1997	1996
	£	£
Exchange gains/(losses)	228,510	-
	<u> </u>	<u> </u>

3. Staff costs and remuneration of directors

No emoluments were paid to the directors of the company during the year (1996 £nil).
There were no staff employed during the year (1996 nil).

4. Taxation

	1997	1996
	£	£
UK Corporation tax at 31.5% (1996: 33%)	(340,989)	(7,579)
Overseas taxation	340,989	7,579
	<u> </u>	<u> </u>
	-	-
	<u> </u>	<u> </u>

COSTAIN OVERSEAS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 1997

5. Investments	Subsidiary undertakings £
<u>Cost</u>	
At 1 January 1997	3,984,764
Additions	1,140,000
Disposals	(3,209,953)
	<hr/>
At 31 December 1997	1,914,811
	<hr/>
<u>Provisions</u>	
At 1 January 1997	-
Provided in year	1,083,088
	<hr/>
At 31 December 1997	1,083,088
	<hr/>
<u>Net book value</u>	
At 31 December 1997	831,723
	<hr/> <hr/>
At 31 December 1996	3,984,764
	<hr/> <hr/>

COSTAIN OVERSEAS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 1997

Subsidiary undertakings

	Percentage of share capital held	Principal Activity
Costain Developments SA	100	Property Management
Oxney Pty Limited	100	Holding company
Costain Group Services (Australia) Pty Limited	100*	Property Management
Costain Property Management Pty Limited	100*	Property Management
Nisaki Pty Limited	100*	Property Management

* Shares held by subsidiary undertaking

All undertakings are incorporated in Australia except Costain Developments SA which is incorporated in Spain. All holdings are of ordinary shares except Oxney Pty Limited and Costain Group Services (Australia) Pty Limited where respectively Costain Overseas Holdings and Oxney Pty Limited hold ordinary and preference shares.

	1997 £	1996 £
6. Debtors		
Amounts falling due within one year:		
Amounts owed by parent company	271,504	627,478
Amounts owed by group undertakings	3,438,463	-
Dividends receivable from Group undertakings	299,062	-
	<u>4,009,029</u>	<u>627,478</u>

	1997		1996	
	Authorised £	Issued £	Authorised £	Issued £
7. Share capital				
Ordinary shares of £1 each, called up and fully paid	4,100,000	4,100,000	4,100,000	4,100,000
	<u>4,100,000</u>	<u>4,100,000</u>	<u>4,100,000</u>	<u>4,100,000</u>
8. Profit and loss account				£
At 1 January 1997				512,242
Profit for the year				228,510
At 31 December 1997				<u>740,752</u>

COSTAIN OVERSEAS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 1997

9. Reconciliation of movement in shareholders' funds	1997	1996
	£	£
Profit/(loss) for the financial year	228,510	(9,813)
Net increase/(reduction) in shareholders' funds	228,510	(9,813)
Opening shareholders' funds	4,612,242	4,622,055
Closing shareholders' funds	4,840,752	4,612,242

10. Contingent liabilities

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 financial statements and amount to £6.0m (1996 £28.9m) and US\$14.7m (1996 US\$70.0m).

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

11. Ultimate parent company

The company's ultimate parent company is Costain Group PLC, a company registered in England and Wales. A copy of the Group financial statements of Costain Group PLC may be obtained from the registered office of Costain Group PLC, 111 Westminster Bridge Road, London SE1 7UE.

12. Group financial statement

The company is exempt from preparing Group financial statements (under Section 228 of the Companies Act 1985), as it is included in the consolidated financial statements for the ultimate parent company.

The financial statements present information about the company as an individual undertaking and not about its Group.

13. Related parties transactions

The company is exempt under Financial Reporting Standard No 8 (FRS 8) from the requirements to disclose related party transactions on the basis that it is a wholly owned subsidiary of the ultimate parent company, Costain Group PLC.