

COSTAIN CIVIL ENGINEERING LIMITED

REGISTERED NUMBER 2757907

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 December 2005

KPMG Audit Plc
Chartered Accountants
Registered Auditor
GATWICK



COSTAIN CIVIL ENGINEERING LIMITED
REPORT OF THE DIRECTORS
For the year ended 31 December 2005

BUSINESS REVIEW

The principal activity of the company is investment holding.

On 29 December 2005, the company acquired from Costain Building & Civil Engineering Limited the issued share capital of Costain Limited for the sum of £125m.

DIRECTORS AND SHARE INTERESTS

Directors who held office during the year and their disclosable interests in shares, according to the register of directors' interests were as follows:

		At 01.01.05	At 31.12.05
A Wyllie (appointed on 22.12.05)*			
M D Hunter	a	779	779
	b	137,257	137,257
	c	82,125	82,125
	d	143,283	143,283
	e	-	140,425
C L Franks	a	393	393
	b	149,031	149,031
	d	152,238	152,238
	e	-	150,638

- a - Costain Group PLC ordinary shares of 5p each (2004: 10p each).
- b - Options granted on 11 October 2002 to acquire Costain Group PLC ordinary shares under the 2002 Long Term Incentive Plan.
- c - Options granted on 22 October 2002 to acquire Costain Group PLC ordinary shares under the 2002 Save As You Earn Share Option Scheme.
- d - Options granted on 21 April 2004 to acquire Costain Group PLC ordinary shares under the 2004 Long Term Incentive Plan.
- e - Options granted on 26 April 2005 to acquire Costain Group PLC ordinary shares under the 2005 Long Term Incentive Plan.
- * - The interests of these directors in the shares of Costain Group PLC are disclosed in the financial statements of that company.

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
20 March 2006

REGISTERED OFFICE
Costain House, Nicholsons Walk
Maidenhead, Berkshire SL6 1LN

COSTAIN CIVIL ENGINEERING LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE
DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS
For the year ended 31 December 2005

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 UK Accounting Standards.

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.

Under applicable law the directors are also responsible for preparing a Directors' Report that complies with that law.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF COSTAIN CIVIL ENGINEERING LIMITED

For the year ended 31 December 2005

We have audited the financial statements of Costain Civil Engineering Limited for the year ended 31 December 2005 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

As described in the Statement of Directors' Responsibilities on page 2, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 2005 and of its result 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

20 March 2006
Date

COSTAIN CIVIL ENGINEERING LIMITED
PROFIT AND LOSS AND BALANCE SHEET
31 December 2005

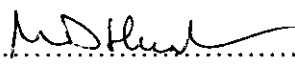
PROFIT AND LOSS FOR THE YEAR ENDED 31 DECEMBER 2005

During the financial year and the preceding financial year, the company received no income and incurred no expenditure. Consequently during those years, the company made neither a profit nor a loss.

BALANCE SHEET AS AT 31 DECEMBER 2005

	Notes	2005 £	2004 £
Fixed assets			
Investments	4	125,000,000	-
		<hr/>	<hr/>
Current assets			
Debtors	5	4,109,671	4,109,671
Creditors: amounts falling due within one year	6	(125,000,000)	-
		<hr/>	<hr/>
Net current (liabilities)/assets		(120,890,329)	4,109,671
		<hr/>	<hr/>
Total assets less current liabilities		4,109,671	4,109,671
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	7	4,100,000	4,100,000
Profit and loss account	8	9,671	9,671
		<hr/>	<hr/>
Equity shareholders' funds	9	4,109,671	4,109,671
		<hr/>	<hr/>

The financial statements were approved by the Board of Directors on 20 March 2006 and were signed on its behalf by:

.....  Director
M D Hunter

THE NOTES ON PAGES 5 TO 7 FORM PART OF THESE FINANCIAL STATEMENTS

COSTAIN CIVIL ENGINEERING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2005

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.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There were no recognised gains nor losses in the period or the preceding 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.

2. Staff costs and remuneration of directors

No emoluments were paid to the directors of the company during the year (2004: £nil).
There were no staff employed during the year (2004: nil).

3. Profit on ordinary activities before taxation

The auditor's remuneration was borne by another group company.

COSTAIN CIVIL ENGINEERING LIMITED
NOTES TO THE FINANCIAL STATEMENTS continued
For the year ended 31 December 2005

4. Investments	2005 £	2004 £
Investment in subsidiary undertaking	125,000,000	-
The investment held is in Costain Ltd acquired from Costain Building & Civil Engineering Limited on 29 December 2005.		
5. Debtors	2005 £	2004 £
Amounts falling due within one year:		
Amounts owed by parent company	4,109,671	4,109,671
6. Creditors: amounts falling due within one year	2005 £	2004 £
Amounts owing to fellow subsidiary undertaking	125,000,000	-
7. Share capital	2005 and 2004 Authorised £	2004 Issued and fully paid £
Ordinary shares of £1 each	4,100,000	4,100,000
8. Profit and loss account	2005 £	2004 £
At 1 January and 31 December	9,671	9,671
9. Reconciliation of movement in shareholders' funds	2005 £	2004 £
Opening and closing shareholders' funds	4,109,671	4,109,671

10. 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 2005 these liabilities amounted to £nil (2004: £nil).

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

11. Related parties transactions

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

12. 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, Nicholson's Walk, Maidenhead, Berkshire SL6 1LN.