

**COSTAIN CIVIL ENGINEERING LIMITED**

**REGISTERED NUMBER 2757907**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**31 December 2006**

KPMG Audit Plc  
Chartered Accountants  
Registered Auditor  
LONDON

TUESDAY



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**COSTAIN CIVIL ENGINEERING LIMITED**  
**REPORT OF THE DIRECTORS**  
**For the year ended 31 December 2006**

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**BUSINESS REVIEW**

The principal activity of the company is investment holding

**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 06	At 31 12 06
A Wyllie *			
M D Hunter	a	779	779
	b	82,125	82,125
	c	143,283	143,283
	d	140,425	140,425
	e	-	179,439
C L Franks	a	393	393
	c	152,238	152,238
	d	150,638	150,638

- \* - The interests of this director in the shares of Costain Group PLC are disclosed in the financial statements of that company
- a - Costain Group PLC ordinary shares of 5p each
- b - Options granted on 22 October 2002 to acquire Costain Group PLC ordinary shares under the 2002 Save As You Earn Share Option Scheme
- c - Options granted on 21 April 2004 to acquire Costain Group PLC ordinary shares under the 2004 Long Term Incentive Plan
- d - Options granted on 26 April 2005 to acquire Costain Group PLC ordinary shares under the 2005 Long Term Incentive Plan
- e - Options granted on 21 April 2006 to acquire Costain Group PLC ordinary shares under the 2006 Long Term Incentive Plan

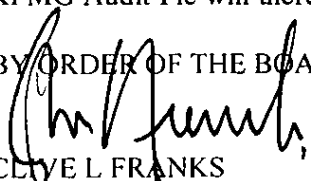
**DISCLOSURE OF INFORMATION TO AUDITORS**

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  
 25 April 2007

REGISTERED OFFICE  
 Costain House, Nicholson's 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 2006**

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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 CIVIL  
ENGINEERING LIMITED**  
**For the year ended 31 December 2006**

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We have audited the financial statements of Costain Civil Engineering Limited for the year ended 31 December 2006 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 2006 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

*25 April 2007*  
Date

Chartered Accountants  
Registered Auditor  
LONDON

**COSTAIN CIVIL ENGINEERING LIMITED**  
**PROFIT AND LOSS AND BALANCE SHEET**  
**31 December 2006**

**PROFIT AND LOSS FOR THE YEAR ENDED 31 DECEMBER 2006**

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 2006**

	Notes	2006 £	2005 £
<b>Fixed assets</b>			
Investments	4	125,000,000	125,000,000
		<hr/>	<hr/>
<b>Current assets</b>			
Debtors	5	4,109,671	4,109,671
<b>Creditors: amounts falling due within one year</b>	6	(125,000,000)	(125,000,000)
		<hr/>	<hr/>
<b>Net current liabilities</b>		(120,890,329)	(120,890,329)
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		4,109,671	4,109,671
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called up share capital	7	4,100,000	4,100,000
Profit and loss account	8	9,671	9,671
		<hr/>	<hr/>
<b>Equity shareholders' funds</b>	9	4,109,671	4,109,671
		<hr/>	<hr/>

The financial statements were approved by the Board of Directors on 25 April 2007 and were signed on its behalf by

  
M D Hunter

Director

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 2006**

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**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 (2005. £nil)  
There were no staff employed during the year (2005 nil)

**3. Auditors' remuneration**

	2006	2005
	£	£
Fees for the audit of the company	500	500
	<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

**COSTAIN CIVIL ENGINEERING LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS continued**  
**For the year ended 31 December 2006**

<b>4. Investments</b>	<b>2006</b> £	<b>2005</b> £
Investment in subsidiary undertaking	125,000,000	125,000,000
Investment in 100% of the ordinary share capital of Costain Ltd, a building and civil engineering business incorporated in Great Britain. The company was acquired from Costain Building & Civil Engineering Limited on 29 December 2005		
<b>5. Debtors</b>	<b>2006</b> £	<b>2005</b> £
Amounts falling due within one year		
Amounts owed by parent company	4,109,671	4,109,671
<b>6. Creditors: amounts falling due within one year</b>	<b>2006</b> £	<b>2005</b> £
Amounts owing to fellow subsidiary undertaking	125,000,000	125,000,000
<b>7. Share capital</b>	<b>2006 and 2005</b> Authorised £	<b>2006 and 2005</b> Issued and fully paid £
Ordinary shares of £1 each	4,100,000	4,100,000
<b>8. Profit and loss account</b>	<b>2006</b> £	<b>2005</b> £
At 1 January and 31 December	9,671	9,671
<b>9. Reconciliation of movement in shareholders' funds</b>	<b>2006</b> £	<b>2005</b> £
Opening and closing shareholders' funds	4,109,671	4,109,671

**COSTAIN CIVIL ENGINEERING LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS continued**  
**For the year ended 31 December 2006**

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**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 2006, these liabilities amounted to £1.0m (2005: £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.