Registration number: 01890057

Costain Integrated Services Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2018

Costain Integrated Services Limited

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Costain Integrated Services Limited

Company Information

Directors	A J Vaughan
	T A Wood
Company secretary	T A Wood
Registered office	Costain House Vanwall Business Park Maidenhead Berkshire SL6 4UB
Independent auditor	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH

Costain Integrated Services Limited

Strategic Report for the Year Ended 31 December 2018

The directors present their strategic report for the year ended 31 December 2018.

Fair review of the business

The principal activities of the company in the year under review were that of the provision of professional services for the delivery of complex engineering and construction programmes. The services offered include commercial and claims management, quantity surveying, programme and project management, planning, health & safety management, environmental review and information systems review.

The company provides resources to the Group's other operations in the Middle East and Australia, in 2017 a strategic decision to exit trading in these territories was executed in order to concentrate on the company's main geographical market of the UK.

The company did not pay a dividend during the period ended 31 December 2018 (2017: £Nil).

The profit before tax for the year ended 31 December 2018 was £887,346 (2017: £364,982) and the company had net assets of £14,739,717 (2017: £13,907,067).

Our order book and prospects for 2019 are strong, this is testimony to our people, our reputation and our valued client base. We remain impressed with the talent, professionalism and dedication of our staff who are delivering innovative and effective solutions to our clients' complex infrastructure challenges. With smart thinking we are improving people's lives.

The main focus of the company is to provide Value, Innovation and Excellence in all aspects of our work to clients and through the talent, energy and determination of our team we will be recognised and trusted for the value we bring our clients. We continue to invest in the training and development of our people and I would like to thank all our employees for their ongoing commitment and contribution.

Costain Integrated Services Limited

Strategic Report for the Year Ended 31 December 2018 (continued)

Principal risks and uncertainties

The principal risks and uncertainties facing the ultimate parent company, Costain Group PLC, and its ability to achieve its strategic objectives are set out below.

Title	What is the Risk?
Failure to prevent a major accident or incident for which Costain is held primarily accountable.	Costain operates in complex and hazardous environments, which have the potential to result in significant loss, including the loss of life, widespread acute ill health or damage to the environment. Failure to manage these risks has the potential to result in personal or environmental harm, or operational loss. Significant SHE events could also have regulatory, legal, financial and reputational impacts with all stakeholders.
Failure to deliver the business strategy.	Failure to manage this risk could result in the transformation and diversification of the business being unsuccessful, new market opportunities may be missed, work in diversified markets may not be won and/or loss of stakeholder confidence.
Failure to maintain a strong balance sheet may limit our ability to grow.	We may fail to win work due to an inability to demonstrate the required level of financial resource.
Failure to identify and secure new work.	Failure to manage this risk could mean that we do not win work from current clients or new clients/markets.
Failure to attract and transform the skills, capabilities and competence of our resources	Failure to manage our skills and capabilities risk may result in an inability to grow the business as anticipated and consequently in a short term impact on performance.
Failure to deliver projects effectively.	Failure to maintain discipline in delivering projects could result in contract disputes, design faults that result in additional works to rectify, failure of our supply chain to complete the works, refusal of claims by insurers following a loss, compensation events or increase in scope not being fully reimbursed by our clients.
Failure to manage the legacy defined benefit pension scheme so that the liabilities are within a range appropriate to its capital base.	Failure to manage this exposure adequately could lead to Costain being exposed to significant additional liabilities under the legacy defined benefit pension scheme and hence significantly higher deficit contributions adversely impacting the Group's operational results.
Failure to ensure that our technology is robust, our systems are secure and our data protected.	Failure to manage our technology and data risks could result in loss of confidential client or personal data, breaches of legislation and subsequent fines, breach of contract, inappropriate release of commercially sensitive data, business systems suffer a cyber-attack.
Failure to respond to changes in client circumstances resulting from different market, regulatory or political conditions.	Failure to adequately understand and respond to our clients' needs may result in a reduction in work won, loss of repeat clients, an inability to win work in diversified markets and/or a reduction in profitability and cash flow.

Going concern

The company's business activities, together with the factors likely to affect its future performance and position are set out in the business review on page 2. The financial position is set out in the balance sheet on page 13 which demonstrates that the company has positive cash balances; in addition the company has access to unutilised bank facilities of Costain Group PLC – details of the Costain Group PLC facilities are set out in the Costain Group PLC 2018 Annual Report.

After making enquiries the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual financial statements.

Approved by the Board on 29 May 2019 and signed on its behalf by:

T. Wood

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T A Wood

Company secretary and director

Costain Integrated Services Limited

Directors' Report for the Year Ended 31 December 2018

The directors present their report and the audited financial statements for the year ended 31 December 2018.

Directors of the company
The directors of the company who were in office during the year and up to the date of signing the financial statements were:

A C Ferguson (resigned 30 March 2018)

N A Curry (resigned 31 December 2018)

A J Vaughan

T A Wood - Company secretary and director

Principal activity
The principal activity of the company is the provision of professional services for the delivery of complex engineering and construction programmes.

Future developments
The directors do not expect any significant changes to the principal activities of the company in the forseeable future.

Dividends
The directors do not recommend the payment of a dividend for the year ended 31 December 2018 (2017: £nil).

Diversity
Apart from ensuring that an individual has the ability to carry out a particular role, the company does not discriminate in any way. The company endeavours to retain employees if they become disabled, making reasonable adjustments to their role and, if necessary, looking for redeployment opportunities within the company and Costain Group. The company also ensures that training, career development and promotion opportunities are available to all employees irrespective of gender, race, age or disability.

Employee involvement
The Costain Group provides information to its employees both of a general company nature and to encourage awareness of financial and economic factors, which affect the company in various ways. These include regular videos and updates from the Chief Executive and other senior managers, a Costain online news service, information via our electronic mail system, circulation of press releases, management briefings on company results, a report to employees on the annual financial statements of the Group and annual pension scheme reports. Participation and involvement are encouraged through regular management meetings with employees.

Disclosure of information to the auditor

The directors confirm that, so far as they are aware, there is no relevant audit information (as defined in Section 418 of the Companies Act 2006) of which the company's external auditor is unaware and that each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's external auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Reappointment of auditor

The auditor PricewaterhouseCoopers LLP is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Approved by the Board on 29 May 2019 and signed on its behalf by:

T. Wood

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T A Wood

Company secretary and director

Costain Integrated Services Limited

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). 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 then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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.

Independent Auditors' Report to the members of Costain Integrated Services Limited

Report on the audit of the financial statements

Opinion
In our opinion, Costain Integrated Services Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2018; the Profit and Loss Account, the Statement of Comprehensive Income, the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis of opinion
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern
ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Independent Auditors' Report to the members of Costain Integrated Services Limited (continued)

Reporting on other information
The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report
In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit
Responsibilities of the directors for the financial statements
As explained more fully in the Statement of Directors' Responsibilities set out on page 7, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Independent Auditors' Report to the members of Costain Integrated Services Limited (continued)

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Diane Walmsley

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Diane Walmsley (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

1 Embankment Place
London
WC2N 6RH

30 May 2019

Costain Integrated Services Limited

Profit and Loss Account for the Year Ended 31 December 2018

	Note	Year to 31 December 2018 £	Year to 31 December 2017 £
Revenue	4	16,815,841	17,895,450
Cost of sales		(12,667,053)	(13,667,597)
Gross profit		4,148,788	4,227,853
Administrative expenses		(2,241,243)	(3,560,312)
Other Losses	5, 6	(1,001,148)	(136,590)
Operating profit	6	906,397	530,951
Finance income	9	-	7,368
Finance costs	10	(19,051)	(173,337)
Net finance cost		(19,051)	(165,969)
Profit before tax		887,346	364,982
Income tax expense	11	(54,699)	(25,703)
Profit for the financial year		832,647	339,279

The above results were derived from continuing operations.

Costain Integrated Services Limited

Statement of Comprehensive Income for the Year Ended 31 December 2018

	Year to 31 December 2018 £	Year to 31 December 2017 £
Profit for the financial year	832,647	339,279
Total comprehensive income for the year	832,647	339,279

The notes on pages 15 to 31 form an integral part of these financial statements.

Costain Integrated Services Limited

(Registration number: 01890057)
Balance Sheet as at 31 December 2018

	Note	31 December 2018 £	31 December 2017 £
Fixed assets			
Tangible assets	12	-	1,148
Investments	13	1,181,792	2,181,792
		1,181,792	2,182,940
Current assets			
Debtors	14	16,688,171	19,873,041
Cash at bank and in hand	15	364,903	964,337
		17,053,074	20,837,378
Creditors: Amounts falling due within one year			
Trade and other payables	16	(3,493,270)	(9,083,496)
Income tax liability		(1,879)	(29,755)
Creditors: Amounts falling due within one year		(3,495,149)	(9,113,251)
Net current assets		13,557,925	11,724,127
Net assets		14,739,717	13,907,067
Capital and reserves			
Called up share capital	18	12,903	12,903
Share premium account		12,715	12,715
Profit and loss account		14,714,099	13,881,449
Total shareholders' funds		14,739,717	13,907,067

The financial statements on pages 11 to 31 were approved by the Board of directors on 29 May 2019 and signed on its behalf by:

T. Wood

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T A Wood

Company ~~secretary and~~ director

The notes on pages 15 to 31 form an integral part of these financial statements.

Costain Integrated Services Limited

Statement of Changes in Equity for the Year Ended 31 December 2018

	Called up share capital £	Share premium £	Profit and loss account £	Total £
At 1 January 2018	12,903	12,715	13,881,452	13,907,070
Profit for the financial year	-	-	832,647	832,647
Total comprehensive income / (expense)	-	-	832,647	832,647
At 31 December 2018	12,903	12,715	14,714,099	14,739,717

	Called up share capital £	Share premium account £	Profit and loss account £	Total £
At 1 January 2017	12,903	12,715	13,542,170	13,567,788
Profit for the financial year	-	-	339,279	339,279
Total comprehensive income	-	-	339,279	339,279
At 31 December 2017	12,903	12,715	13,881,449	13,907,067

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 29 May 2019.

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 have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared in accordance with the Companies Act 2006 and under the historical cost convention.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

The company is a wholly-owned subsidiary of Costain Group PLC and is included in the consolidated financial statements of Costain Group PLC which are publicly available. Consequently, the company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006.

Functional and presentation currency
Items included in the financial statements of the company are measured using the currency of the primary economic environment which the company operates. The financial statements are presented in 'pounds sterling' (£), which is also the company's functional currency.

2 Accounting policies (continued)

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;

(i) The requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement to disclose information of fair value valuation techniques and inputs; and

(j) IAS 7, 'Statement of Cash Flows'.

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 financial statements of Costain Group PLC.

2 Accounting policies (continued)

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

After making enquiries the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual financial statements.

New standards and changes in accounting policy
None of the standards, interpretations and amendments effective for the first time from 1 January 2018 have had a material effect on the financial statements (see note 20). These include:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- IFRIC 22 Foreign Currency Transactions and Advance Consideration

Revenue recognition

Recognition

The company recognises revenue when control over the service or product is transferred to the customer and revenue is measured at the fair value of the consideration received or receivable, net of value added tax. Where the consideration is variable, the amount recognised is highly probable not to suffer a significant reversal in future. This revenue is recognised in the accounting period when the services are rendered at an amount that reflects the consideration to which the entity expects to be entitled in exchange for fulfilling its performance obligations to customers.

Finance income and costs policy
Interest receivable and payable on bank deposits and between group undertakings is credited or charged to the profit and loss as incurred, using the effective interest method.

Foreign currency transactions and balances
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 the transaction.

Tax
The tax expense for the period comprises current and deferred 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 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.

2 Accounting policies (continued)

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.

Tangible assets

Property, plant and equipment is stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is charged so as to write off the cost or valuation of assets over their estimated useful lives on a straight-line basis, as follows:

Asset class	**Depreciation method and rate**
Motor vehicles	straight line over 3 years less residual value
Fixtures & fittings	15% reducing balance
Computer equipment	50% straight line

Investments

Fixed asset investments are stated at historical cost less any provisions for impairment. Investments are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairments are calculated such that the carrying value of the fixed asset investment is the lower of its cost or recoverable amount. Impairments are reversed in line with improvements in the recoverable amount of the investment.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Debtors

Trade and other debtors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the debt.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime loss allowance for trade and intercompany balances. To measure the expected credit losses, trade and intercompany balances have been grouped based on shared credit risk characteristics and the days past due.

2 Accounting policies (continued)

Financial instruments

Initial recognition

The company recognises financial assets and financial liabilities in the statement of financial position when, and only when, the company becomes party to the contractual provisions of the financial instrument.

Financial assets are initially recognised at fair value. Financial liabilities are initially recognised at fair value, representing the proceeds received net of directly attributable premiums, discounts and transaction costs.

Subsequent to initial measurement, financial assets and financial liabilities are measured at amortised cost.

Derecognition

Financial assets

The company derecognises a financial asset when;
- the contractual rights to the cash flows from the financial asset expire, or
- it transfers the right to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred; or
- the company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities

The company derecognises a financial liability when its contractual obligations are discharged, cancelled, or expire.

Impairment of financial assets

The company recognises loss allowances for expected credit losses on financial instruments, namely financial assets that are debt instruments and accounts and other receivables.

Provisions for credit-impairment are recognised in the statement of income and are reflected in accumulated provision balances against each relevant financial instruments balance.

For trade receivables, the company applies the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

2 Accounting policies (continued)

Stocks
Stocks are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method.

The cost of finished goods and work in progress comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. At each reporting date, stocks are assessed for impairment. If stocks are impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in profit or loss.

Trade and other payables
Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts creditors are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Leases
Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

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.

Defined contribution pension obligation
The company participates, on a defined contributions basis, in several pension schemes for the benefit of its own and seconded employees. The assets of the schemes are held separately from those of the company in independently administered funds.

The cost of pensions, in respect of the pension schemes in which the company participates, is charged to the profit and loss account and is equal to the contributions payable in the accounting period.

Dividend income
Dividend income is recognised when the right to receive payment is established and is included in administrative expenses.

2 Accounting policies (continued)

IFRSs not applied
The following IFRSs having been endorsed, will be applicable as stated below:

IFRS 16 'Leases' was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and financial leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short term and low value leases.

The Directors are assessing the impact of IFRS 16 but do not expect it to have a material impact on the company results. The Directors do not currently anticipate that the adoption of any other standard or interpretation that has been issued but is not yet effective will have a material impact on the financial statements of the company in future periods.

3 Critical accounting judgements and key sources of estimation uncertainty

The estimates and underlying assumptions used in the preparation of these financial statements are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The most critical accounting policy and significant area of estimation arises from the accounting for long-term contracts under IFRS 15 'Revenue from Contracts with Customers'. There are no significant areas of judgement.

The majority of the company's activities are undertaken via long-term contracts and IFRS 15 requires the identification and separation of individual, distinct performance obligations, which are then accounted individually. The most common type of contracts undertaken by the company with multiple performance obligations are framework contracts. In most cases, the obligations are satisfied over time and estimates are made of the total contract costs and revenues. In many cases, these obligations span more than one financial period. Both cost and revenue forecasts may be affected by a number of uncertainties that depend on the outcome of future events and may need to be revised as events unfold and uncertainties are resolved. Cost forecasts take into account the expectations of work to be undertaken on the contract. Revenue forecasts take into account compensation events, variations and claims and assessments of the impact of pain/gain arrangements to the extent that the amounts the company expects to recover or incur can be reliably estimated and are highly probable not to reverse based on most likely outcome.

Management bases its estimates of costs and revenues and its assessment of the expected outcome of each long-term contractual obligation on the latest available information, this includes detailed contract valuations, progress on discussions over compensation events, variations and claims with customers, progress against the latest programme for completing the works, forecasts of the costs to complete and, in certain limited cases, assessments of recoveries from insurers. Revenue is recognised to the extent that amounts forecast from compensation events, variations and claims are agreed or considered highly probable to be agreed. The estimates of the contract position and the profit or loss earned to date are updated regularly and significant changes are highlighted through established internal review procedures. The impact of any change in the accounting estimates both positive and negative is then reflected in the financial statements.

Management believes it is reasonably possible, on the basis of existing knowledge, that outcomes within the next financial year could require material adjustment. Given the pervasive impact of judgements and estimates on revenue, cost of sales and related balance sheet amounts, it is difficult to quantify the impact of taking alternative assessments on each of the judgements above.

4 Revenue

The whole of the revenue is attributable to the principal activity of the business.

	2018	2017
	£	£
UK	16,545,192	17,895,450
UAE	270,649	-
	16,815,841	17,895,450

Contract assets is made up of a portfolio of contracts and represents unbilled amounts and includes amounts arising from changes to the scope of works that have been recognised as revenue but not yet billed to the customer. There are no significant one-off factors outside of normal trading.

Contract liabilities result when cumulative cash received exceeds cumulative revenue on any particular contract.

On contracts undertaken by the company, this typically results from work being undertaken, or on framework contracts awarded, in a different order to the programme envisaged in the contractual payments schedule. Revenue recognised in 2018 from performance obligations satisfied in previous periods was immaterial.

The secured order book for the company as at 31 December 2018 was £20,179,000 (2017: £12,403,000).

The amounts included in contract liabilities at 31 December 2017 have all been recognised as revenue in the year.

5 Other gains and losses

The analysis of the company's other gains and losses for the year is as follows:

	Year to 31 December 2018	Year to 31 December 2017
	£	£
Loss on disposal of tangible assets	(1,148)	(136,590)
Impairment of fixed asset investment	(1,000,000)	-
	(1,001,148)	(136,590)

Fixed asset investment impairment in 2018 relates to a £1.0 million impairment of the investment of Calvert & Russell Limited.

6 Operating profit

Operating profit is stated after charging/(crediting):

	Year to 31 December 2018 £	Year to 31 December 2017 £
Depreciation of owned property plant and equipment	-	95,158
Foreign exchange losses	-	16,658
Operating leases - property	-	189,597
Operating leases - hire of plant and machinery	-	1,791

The company received dividends of £1,680,120 from subsidiaries during 2018 (2017: £Nil).

7 Auditor's remuneration

The deemed audit fee for the company was £50,000 (2017: £50,000).

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

8 Staff costs

The aggregate payroll costs of seconded employees were as follows:

	Year to 31 December 2018 £	Year to 31 December 2017 £
Wages and salaries	7,214,293	8,485,638
Social security costs	843,353	937,765
Other pension costs	534,131	372,819
	8,591,777	9,796,222

The average number of persons primarily seconded to the company during the year, analysed by category was as follows:

	Year to 31 December 2018 No.	Year to 31 December 2017 No.
Professional	91	130
Administrative	30	20
	121	150

9 Finance income

	Year to 31 December 2018 £	Year to 31 December 2017 £
Interest income from group undertakings	-	7,368

10 Finance costs

	Year to 31 December 2018 £	Year to 31 December 2017 £
Other finance costs	5,180	2,008
Interest expense payable to group undertakings	13,871	171,329
	19,051	173,337

11 Income tax

Tax charged in the profit and loss account

	Year to 31 December 2018 £	Year to 31 December 2017 £
Current taxation		
UK corporation tax	20,987	84,756
UK corporation tax adjustment to prior periods	9,013	78,959
	30,000	163,715
Deferred taxation		
Arising from origination and reversal of temporary differences	23,181	4,385
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	1,518	(142,397)
Total deferred taxation	24,699	(138,012)
Tax expense in the profit and loss account	54,699	25,703

11 Income tax (continued)

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2017 - lower than the standard rate of corporation tax in the UK) of 19% (2017 - 19.25%).

The differences are reconciled below:

	Year to 31 December 2018 £	Year to 31 December 2017 £
Profit before tax	887,346	364,982
Corporation tax at standard rate	168,596	70,259
Increase (decrease) in current tax from adjustment for prior periods	9,013	78,959
Increase (decrease) from effect of capital allowances depreciation	1,518	-
Increase (decrease) from effect of different UK tax rates on some earnings	(2,727)	-
Increase (decrease) from effect of expenses not deductible in determining taxable profit (tax loss)	197,522	2,489
Increase (decrease) in current tax from unrecognised temporary difference from a prior period	-	(142,397)
Deferred tax expense (credit) relating to changes in tax rates or laws	-	16,393
Increase (decrease) from effect of dividends received from UK companies	(319,223)	-
Total tax charge	54,699	25,703

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

The company has a deferred taxation asset of £113,313 calculated at 17% relating to accelerated capital allowances (2017: £138,012).

Deferred tax

Deferred tax assets and liabilities

	2018 £	2017 £
Asset at the beginning of the year	138,012	-
Amount charged to the profit and loss account	(23,181)	(4,385)
Adjustment in respect of prior year	(1,518)	142,397
Asset as end of year	113,313	138,012

12 Tangible assets

	Computer equipment £	Total £
Cost or valuation		
At 1 January 2018	302,292	302,292
Disposals	(302,292)	(302,292)
At 31 December 2018	-	-
Depreciation		
At 1 January 2018	301,144	301,144
Eliminated on disposal	(301,144)	(301,144)
At 31 December 2018	-	-
Carrying amount		
At 31 December 2018	-	-
At 31 December 2017	1,148	1,148

13 Investments

Subsidiaries	£
Cost or valuation	
At 1 January 2017	2,181,792
At 31 December 2017	2,181,792
At 1 January 2018	2,181,792
At 31 December 2018	2,181,792
Impairment	1,000,000
At 31 December 2018	1,000,000
Carrying amount	
At 31 December 2018	1,181,792
At 31 December 2017	2,181,792
At 1 January 2017	2,181,792

Details of the subsidiaries as at 31 December 2018 and 31 December 2017 are as follows:

13 Investments (continued)

Name of subsidiary	Principal activity	Registered office / principal place of business	Proportion of ownership interest and voting rights held 2018	2017
AB Rhead & Associates Limited*	Dormant	(1)	100%	100%
Brunswick Infrastructure Services Limited*	Project, quantity surveying and commercial management services	(1)	100%	100%
Calvert & Russell Limited*	Professional services for the construction industry	(1)	100%	100%
C-in-A Limited*	Completing its remaining obligations	(1)	100%	100%
Construction Study Centre Limited*	Promotion of seminars and training courses	(1)	100%	100%
JBCC Rhead PTE Limited*	Professional services for the construction industry	(2)	100%	100%

* indicates direct investment of the company.

Key to registered office / principal place of business
(1) Costain House, Vanwall Business Park, Maidenhead, Berkshire, SL6 4UB, England.
(2) Peninsula Plaza #27-01, 111 North Bridge Road, 179098, Singapore.

14 Debtors

	31 December 2018 £	31 December 2017 £
Trade debtors	4,760,389	9,608,539
Amounts owed by group undertakings	6,437,187	9,784,947
Contract assets	4,967,457	-
Other debtors	388,377	241,495
Prepayments	21,448	100,048
Deferred tax assets	113,313	138,012
	16,688,171	19,873,041

Amounts receivable from other group undertakings is unsecured, repayable on demand but accrues interest at a rate of 0.0%-2.5%.

15 Cash and cash equivalents

	31 December 2018 £	31 December 2017 £
Cash on hand	-	963
Cash at bank	364,903	963,374
	364,903	964,337

The company's bankers have the right to set off the company's principal bank balances when in credit against borrowings by a fellow subsidiary, Richard Costain Limited. In addition, one of the arrangements requires that all cash balances are transferred to Richard Costain Limited on a daily basis; such arrangement are commonplace in large groups and facilitate effective cash management. The company's cash balance is replaced with an inter-company receivable from Richard Costain Limited.

16 Trade and other payables

Current

	31 December 2018 £	31 December 2017 £
Trade creditors	513,530	180,274
Accrued expenses	500,757	2,218,145
Amounts owed to group undertakings	2,435,352	6,548,891
Group relief payable	43,631	116,702
Other creditors	-	19,484
	3,493,270	9,083,496

Amounts payable to other group undertakings is unsecured, repayable on demand but accrues interest at a rate of 0.0%-2.5%.

17 Obligations under leases

Operating leases

Operating leases are in respect of land and buildings.

The total future value of minimum lease payments is as follows:

	31 December 2018 £	31 December 2017 £
Within one year	-	18,233

18 Called up share capital

Allotted, called up and fully paid shares

	31 December 2018 No.	£	31 December 2017 No.	£
Ordinary shares of £1 each	12,903	12,903	12,903	12,903

19 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 2018 these liabilities amounted to £69.8 million (2017: £70.2 million).

These 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.

20 Impact of adoption of new accounting standards

This note explains the impact of the adoption of IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers' on the company's financial statements.

a) IFRS 9 'Financial Instruments' - impact of adoption

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 from 1 January 2018 did not result in adjustments to the amounts recognised in the company's financial statements. Financial assets are held by the company predominantly in order to collect the contractual cash flows. There is no material impact of adopting an expected credit loss model for impairment of financial assets. Hedge transactions undertaken by the company meet the requirements of IFRS 9 and are not impacted by adopting the new standard.

b) IFRS 15 'Revenue from Contracts with Customers' - impact of adoption

The adoption of IFRS 15 'Revenue from Contracts with Customers' from 1 January 2018 whilst resulting in some changes in accounting policies did not result in adjustments to the amounts recognised in these financial statements.

21 Parent and ultimate parent undertaking

The company's immediate parent is Costain Limited.

The ultimate parent is Costain Group PLC.

The parent of the largest and smallest 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.