

COSTAIN INTERNATIONAL LIMITED

REGISTERED NUMBER: 563275

STATEMENT OF ACCOUNTS

FOR THE YEAR ENDED

31 DECEMBER 1994

**KPMG
Chartered Accountants
GATWICK**



COSTAIN INTERNATIONAL LIMITED
REPORT OF THE DIRECTORS
For the year ended 31 December 1994

BUSINESS REVIEW

During the year the company has been engaged in a sole civil engineering contract based in Saudi Arabia. The company will continue to trade for the foreseeable future, having gained significant new work during 1994 which is due to commence during 1995.

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 <u>1.1.94</u>	At <u>31.12.94</u>
W. Sperry	Chairman		
T.J. Conlon	a	4,959	4,959
	b	-	10,952
G.P. Sivey			
J.R. Campbell			
W. Gerretsen			

a - Costain Group PLC shares of 25p each

b - Options to acquire Costain Group PLC shares of 25p each

Directors' liability indemnity cover is maintained by the ultimate parent company, Costain Group PLC.

BY ORDER OF THE BOARD


B.W. RACE
SECRETARY

27 APR 1995
REGISTERED OFFICE
111 Westminster Bridge Road
London SE1 7UE.

COSTAIN INTERNATIONAL LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES
For the year ended 31 December 1994

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 a going concern basis and are supported by judgements and estimates that are reasonable and prudent, and identify and explain any material departures from applicable accounting standards.

The directors are also responsible for keeping proper accounting records, they have general responsibility for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

REPORT OF THE AUDITORS TO THE MEMBERS OF
COSTAIN INTERNATIONAL LIMITED

We have audited the financial statements on pages 4 to 10.

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 1994 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

VPMG

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KPMG
Chartered Accountants
Registered Auditors
Gatwick

10 May 1995

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COSTAIN INTERNATIONAL LIMITED
PROFIT AND LOSS ACCOUNT
For the year ended 31 December 1994

	Notes	1994 £	1993 £
Turnover	1	9,868,410	6,600,388
Cost of sales		<u>(10,623,103)</u>	<u>(6,783,003)</u>
Gross loss		(754,693)	(182,615)
Administrative expenses		<u>(145,265)</u>	<u>(173,561)</u>
Operating loss		(899,958)	(356,176)
Interest receivable - external		26,349	20,488
Interest payable and similar charges	3	<u>(14,764)</u>	<u>(23,090)</u>
Loss on ordinary activities before taxation	2	(888,373)	(358,778)
Tax on loss on ordinary activities	6	<u>297,488</u>	<u>118,397</u>
<u>Loss on ordinary activities after taxation and deficit for financial year</u>		<u>(590,885)</u>	<u>(240,381)</u>

Movements on reserves are set out in note 12

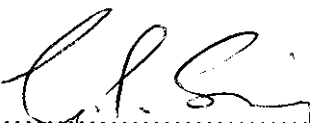
There were no recognised gains nor losses other than the loss for the year.

THE NOTES ON PAGES 6 TO 10 FORM PART OF THESE ACCOUNTS.

COSTAIN INTERNATIONAL LIMITED
BALANCE SHEET
As at 31 December 1994

		1994 £	1993 £
<u>Current assets</u>			
Debtors	7	6,777,785	5,557,331
Cash at bank, monies on deposit and in hand		<u>405,908</u>	<u>237,112</u>
		7,183,693	5,794,443
<u>Creditors: amounts falling due within one year</u>			
Borrowings	8	1,129,663	-
Other creditors	9	<u>4,977,917</u>	<u>4,152,495</u>
		6,107,580	4,152,495
<u>Net current assets</u>		<u>1,076,113</u>	<u>1,641,948</u>
<u>Creditors: amounts falling due after more than one year</u>	9	100,464	67,812
Provisions for liabilities and charges	10	<u>6,815</u>	<u>14,417</u>
<u>Net assets</u>		<u>968,834</u>	<u>1,559,719</u>
<u>Capital and reserves</u>			
Called up share capital	11	1,800,100	1,800,100
Profit and loss account	12	<u>(831,266)</u>	<u>(240,381)</u>
<u>Shareholders' funds</u>		<u>968,834</u>	<u>1,559,719</u>

The financial statements were approved by the Board of Directors on **27 APR 1995** and were signed on its behalf by:


.....Director
G.P. Sivey

THE NOTES ON PAGES 6 TO 10 FORM PART OF THESE ACCOUNTS

COSTAIN INTERNATIONAL LIMITED
NOTES TO THE ACCOUNTS
For the year ended 31 December 1994

1. Accounting Policies

Basis of accounting

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

Turnover

Turnover represents the value of work carried out during the year on long term contracts. All turnover and profit is derived from civil engineering works in Saudi Arabia.

Foreign currency transactions

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.

Taxation

Deferred taxation is provided at the latest relevant rates in respect of all timing differences which, in the opinion of the directors, are expected to reverse in the foreseeable future.

Long term contracts

Amounts recoverable on long term contracts represent the excess of the value of work carried out over cumulative payments on account. Long term contracts are valued at cost plus attributable profit earned to date less provision for foreseeable losses.

Pensions

The expected cost of pensions in respect of the defined benefit scheme in which the company participates is charged to the profit and loss account so as to spread the cost of pensions over the service lives of employees participating in the scheme.

COSTAIN INTERNATIONAL LIMITED
NOTES TO THE ACCOUNTS
For the year ended 31 December 1994

Cashflow statement

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

2. Loss on ordinary activities before taxation

The company's operating income and expenses are derived from ordinary activities all of which are continuing.

Loss on ordinary activities is stated after charging:

	1994 £	1993 £
Staff costs (note 4)	1,551,179	520,407
Hire of plant and machinery	1,320,917	498,557
Auditors' remuneration:		
- audit	6,815	2,000
- other services	3,057	500
and after crediting:		
Exchange gains on foreign currency	(111,690)	(13,225)

3. Interest payable and finance charges

	1994 £	1993 £
On bank loans and overdrafts on all external loans repayable within 5 years	<u>14,764</u>	<u>23,090</u>

COSTAIN INTERNATIONAL LIMITED
NOTES TO THE ACCOUNTS
For the year ended 31 December 1994

4. Staff costs

The average number of persons employed by the company (including directors) during the year in the United Kingdom and overseas was nil and 94 respectively (1993 nil and 44).

The aggregate payroll costs of these persons were as follows:

	1994 £	1993 £
Wages and salaries	1,452,844	487,446
Social security costs	41,488	20,809
Pension costs	<u>56,847</u>	<u>12,152</u>
	<u>1,551,179</u>	<u>520,407</u>

The company participates in one of the Group's UK defined benefit pension schemes. The schemes provide benefits based on final pensionable salary.

The liabilities of the schemes are secured by assets which are held in funds administered by trustees and which are separate from the finances of the Group. The contributions are based on pension costs as a whole across all the undertakings participating in the schemes and are determined by a qualified actuary on the basis of triennial valuations. The actuarial valuation prepared as at 1 April 1993 is the most recent valuation and details are disclosed in the accounts of Costain Group PLC.

5. Remuneration of Directors

No emoluments were paid to directors of the company during the year (1993 £Nil).

6. Taxation

	1994 £	1993 £
Group relief	<u>(297,488)</u>	<u>(118,397)</u>

The above amount represents 33% (1993 33%) of the taxable losses recorded during the year. The relief will be made available to other group companies and full payment will be received for the amount surrendered.

COSTAIN INTERNATIONAL LIMITED
NOTES TO THE ACCOUNTS
For the year ended 31 December 1994

7. Debtors

	1994 £	1993 £
Amounts falling due within one year:		
Trade debtors	522,434	170,151
Amounts recoverable on long term contracts	3,308,240	3,181,337
Amounts owing by parent and fellow subsidiary undertakings	1,918,497	1,800,322
Other debtors	329,022	198,527
Prepayments and accrued income	<u>699,592</u>	<u>102,516</u>
	6,777,785	5,452,853
Amounts falling due after more than one year:		
Other debtors	<u>-</u>	<u>104,478</u>
	<u>6,777,785</u>	<u>5,557,331</u>

8. Borrowings

Bank overdraft	<u>1,129,663</u>	<u>-</u>
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9. Creditors

	1994 £	1993 £
Amounts falling due within one year:		
Trade creditors	2,609,144	2,785,481
Amounts owing to parent and fellow subsidiary undertakings	1,124,047	972,515
Credit balances on long term contracts	1,244,726	364,800
Other creditors	<u>-</u>	<u>29,699</u>
	<u>4,977,917</u>	<u>4,152,495</u>
Amounts falling due after more than one year:		
Other creditors	<u>100,464</u>	<u>67,812</u>

10. Provisions for liabilities and charges

	At beginning of year £	Utilised during the year £	Charge for the year £	At end of year £
Other provisions	<u>14,417</u>	<u>(10,657)</u>	<u>3,055</u>	<u>6,815</u>

COSTAIN INTERNATIONAL LIMITED
NOTES TO THE ACCOUNTS
For the year ended 31 December 1994

11 Share capital

	1994		1993	
	Authorised £	Issued £	Authorised £	Issued £
Ordinary shares of £1 each, fully paid	1,800,100	1,800,100	1,800,100	1,800,100

12 Reserves

	1994 £	1993 £
Profit and loss account		
At 1 January 1994	(240,381)	-
Deficit for the year	(590,885)	(240,381)
At 31 December 1994	(831,266)	(240,381)

13 Contingent liabilities

The company has entered into cross guarantees together with the parent company and certain fellow group undertakings, for loans and overdraft facilities made available to the Group. These facilities are included in the Group accounts and amount to £17.7M (1993 £15.4M) and US\$ 206.0M (1993 US\$ 222.8M). There are also contingent liabilities in respect of performance bonds.

14. Ultimate holding company

The largest group of undertakings for which group accounts are drawn up is that of the ultimate holding company, Costain Group PLC, a company registered in England and Wales.

The smallest group of undertakings for which group accounts are drawn up is that of the intermediate holding company, Costain Building & Civil Engineering Limited, a company registered in England and Wales.

Copies of the group accounts of Costain Group PLC and Costain Building & Civil Engineering Limited may be obtained from the registered office of these two companies, 111 Westminster Bridge Rd., London SE1 7UE.