

COSTAIN CIVIL ENGINEERING LIMITED

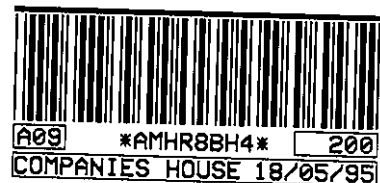
REGISTERED NUMBER 610201

STATEMENT OF ACCOUNTS

FOR THE YEAR ENDED

31 DECEMBER 1994

**KPMG
Chartered Accountants
GATWICK**



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

BUSINESS REVIEW

The company continued to carry out its principal activity of civil engineering contracting in respect of contracts for work awarded on or before 31 December 1991 including related subcontract commitments and liabilities which remain the responsibility of the company. Contracts awarded between 1 January 1992 and 31 December 1994 are being executed by Costain Building & Civil Engineering Limited.

From 1 January 1995 all contracts awarded will again be executed by the company.

The company has a branch operating in Hong Kong.

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			
G.V. May - Managing Director (UK)			
L.T. Eames	a	20,867	20,867
	b	94,593	205,543
R.M. Jones			
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

REGISTERED OFFICE
111 Westminster Bridge Road
London SE1 7UE

Date: **4 MAY 1995**

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

DIRECTORS RESPONSIBILITIES

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, and 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 CIVIL ENGINEERING LIMITED

We have audited the financial statements on pages 5 to 13.

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 profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

.....KPMG.....
KPMG
Chartered Accountants
Registered Auditors
Gatwick

.....10 May 1995.....
Date

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

	Notes	1994 £	1993 £
Turnover	1	<u>105,406,651</u>	<u>203,360,962</u>
Cost of sales		90,544,198	186,465,081
Exceptional item	3	<u>(5,000,000)</u>	<u>-</u>
Total cost of sales		85,544,198	186,465,081
Gross profit		19,862,453	16,895,881
Administrative expenses		(167,488)	(633,961)
Operating profit		19,694,965	16,261,920
Interest receivable:			
- On amounts due from group undertakings		-	828,434
- External		<u>-</u>	<u>15,688</u>
Profit on ordinary activities before taxation	4	19,694,965	17,106,042
Taxation	7	<u>7,820,337</u>	<u>4,682,600</u>
Profit on ordinary activities after taxation		11,874,628	12,423,442
Dividend		<u>7,000,000</u>	<u>11,375,680</u>
Retained profit for the financial year	18	<u>4,874,628</u>	<u>1,047,762</u>


There were no recognised gains nor losses other than the profit for the year and prior year.

NOTES ON PAGES 6 TO 13 FORM PART OF THESE ACCOUNTS

COSTAIN CIVIL ENGINEERING LIMITED
BALANCE SHEET
As at 31 December 1994

	Notes	1994 £	1993 £
<u>Fixed assets</u>			
Tangible assets	8	21,345	1,595,834
Investments	9	<u>394,340</u>	<u>394,340</u>
		415,685	1,990,174
<u>Current assets</u>			
Stock	10	264,540	496,916
Debtors: amounts falling due within one year	11	50,145,614	63,928,915
Debtors: amounts falling due after more than one year	11	5,512,202	8,607,834
Cash at bank and in hand	12	<u>32,631,218</u>	<u>46,626,532</u>
		88,553,574	119,660,197
<u>Creditors: amounts falling due within one year</u>	13	60,365,180	91,491,627
<u>Net current assets</u>		<u>28,188,394</u>	<u>28,168,570</u>
<u>Total assets less current liabilities</u>		28,604,079	30,158,744
<u>Creditors: amounts falling due after more than one year</u>	14	3,660,917	5,090,210
<u>Provisions for liabilities and charges</u>	15	<u>15,000,000</u>	<u>20,000,000</u>
<u>Net assets</u>		<u>9,943,162</u>	<u>5,068,534</u>
<u>Capital and reserves</u>			
Called up share capital	16	3,892,858	3,892,858
Profit and loss account	18	<u>6,050,304</u>	<u>1,175,676</u>
<u>Shareholders' funds</u>		<u>9,943,162</u>	<u>5,068,534</u>

The financial statements were approved by the Board of Directors on **4 MAY 1995**.
and were signed on its behalf by:

..........Director
G.V. May

THE NOTES ON PAGES 6 TO 13 FORM PART OF THESE ACCOUNTS

COSTAIN CIVIL ENGINEERING LIMITED
NOTES ON THE ACCOUNTS
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 amounts (excluding value added tax) receivable for goods and services provided, and the value of work carried out during the year on long term contracts.

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.

CASH FLOW 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.

FOREIGN CURRENCY TRANSACTIONS

Monetary assets and liabilities denominated in overseas 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 transaction.

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.

JOINT VENTURES

The profit and loss account includes the appropriate proportion of turnover and profit of Joint Venture contracts. Interests in unincorporated joint ventures are accounted for by the proportional consolidation method. This is a change in accounting policy to adopt a treatment which the company considers more appropriately reflects the impact of joint ventures and balance sheet comparative figures have been restated accordingly.

The previous treatment was to include the company's share of the net assets in investments on current liabilities as appropriate.

COSTAIN CIVIL ENGINEERING LIMITED
NOTES ON THE ACCOUNTS
31 December 1994

Accounting policies cont'd

The Group has a 10% participation in Transmanche-Link ("TML") the joint venture which built the Channel Tunnel for Eurotunnel ("ET"). In April 1994 TML and ET signed the 1994 Settlement Agreement which resolved all claims and counter claims other than those based on events occurring after the date of the agreement and rolling stock issues. In view of the substantial progress made during the year culminating in the successful Tests on Commissioning in early 1995 and the resulting release of all performance bonds, the directors determined that a release of part of the provision was appropriate and that adequate provision has been made to cover the Group's obligations under the contract.

PENSIONS

The expected cost of pensions in respect of the defined benefit pension 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 the employees participating in the scheme.

STOCKS

Stocks are stated at the lower of cost and net realisable values.

DEPRECIATION

Depreciation is provided to write-off the cost of tangible assets on a straight line basis at rates of 10% to 50% for plant and equipment.

2. Geographical segment information

	Turnover	
	1994 £	1993 £
United Kingdom	46,360,040	153,006,059
Rest of the World	<u>59,046,611</u>	<u>50,354,903</u>
	<u>105,406,651</u>	<u>203,360,962</u>

	1994 £	1993 £
3. <u>Exceptional item</u>		
TML contract provision adjustment (see note 15)	<u>5,000,000</u>	<u>-</u>

COSTAIN CIVIL ENGINEERING LIMITED
NOTES ON THE ACCOUNTS continued
31 December 1994

4. Profit on ordinary activities before taxation

The company's operating income and expenses are derived from ordinary activities all of which are continuing. Profit on ordinary activities is after charging:

	1994 £	1993 £
Profit on ordinary activities is after charging:		
Staff costs (note 5)	2,817,129	10,241,743
Emoluments of directors (note 6)	-	136,053
Hire of plant and machinery	861,994	3,589,455
Auditors' remuneration - audit	12,000	10,000
Depreciation	1,565,171	2,875,118

5. Staff numbers and costs

The average weekly number of persons employed by the company during the year in the United Kingdom was 35 (1993 101).

In addition, the average weekly number of staff seconded from a group undertaking who worked during the year for the company in the United Kingdom was 83 (1993 354).

The aggregate payroll costs of these persons were as follows:-

	1994 £	1993 £
Wages and salaries	2,470,992	9,028,452
Social Security costs	211,711	775,013
Pension costs	<u>134,426</u>	<u>438,278</u>
	<u>2,817,129</u>	<u>10,241,743</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 scheme and are determined by a qualified actuary on the basis of triennial valuations. The actuarial valuation prepared as at 1st April 1993 is the most recent valuation and details are disclosed in the accounts of Costain Group PLC.

COSTAIN CIVIL ENGINEERING LIMITED
NOTES ON THE ACCOUNTS continued
31 December 1994

6. Remuneration of directors

Emoluments, excluding pension scheme contributions of directors.

Directors	1994	1993
Nil to £5,000	6	6
£50,001 - £55,000	-	1
£75,001 - £80,000	-	1

The emoluments of the Chairman during 1994 amounted to £ Nil (1993 £Nil) and those of the highest paid director were £Nil (1993 £75,725).

7. Taxation

	1994 £	1993 £
On profit for the year:		
United Kingdom corporation tax at 33% (1993 33%)	9,221,981	5,730,362
Overseas taxation	626,000	-
Relief for overseas taxation	<u>(626,000)</u>	<u>-</u>
	9,221,981	5,730,362
Adjustments in respect of prior years:		
United Kingdom corporation tax	2,342	(246,357)
Group relief	(1,375,922)	(801,405)
Overseas taxation	(31,070)	-
Income tax written off	<u>3,006</u>	<u>-</u>
	<u>7,820,337</u>	<u>4,682,600</u>

The group relief will be made available by other group companies and full payment will be made for the amount surrendered.

COSTAIN CIVIL ENGINEERING LIMITED
NOTES ON THE ACCOUNTS continued
31 December 1994

8. Tangible assets

Plant and
equipment

Cost

At 1 January 1994	18,845,953
Currency realignment	(2,440)
Additions	4,809
Disposals	<u>(6,756,360)</u>
At 31 December 1994	<u>12,091,962</u>

Depreciation

At 1 January 1994	17,250,119
Currency realignment	(773)
Provisions	1,565,171
Disposals	<u>(6,743,900)</u>
At 31 December 1994	<u>12,070,617</u>

Net book value

At 31 December 1994	<u>21,345</u>
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At 31 December 1993	<u>1,595,834</u>
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9. Investments

£

Investment in subsidiary undertakings	
At 1 January 1994 and 31 December 1994	<u>394,340</u>

Subsidiary undertakings

Class of capital
held and percentage
held of each class

Costain Marine International Limited
(Formerly John Shelbourne & Co Ltd.)

Ordinary shares 100%

This company is incorporated in Great Britain and registered in England and Wales.

COSTAIN CIVIL ENGINEERING LIMITED
NOTES ON THE ACCOUNTS continued
31 December 1994

10. <u>Stocks</u>	1994 £	1993 £
Stocks	<u>264,540</u>	<u>496,916</u>
11. <u>Debtors</u>	1994 £	1993 £
Amounts falling due within one year:		
Trade debtors	23,764	54,552
Other debtors	193,525	3,130,215
Amounts recoverable on long term contracts	33,050,191	33,726,470
Prepayments and accrued income	-	101,171
Amounts owing by parent and fellow subsidiary undertakings	<u>16,878,134</u>	<u>26,916,507</u>
	<u>50,145,614</u>	<u>63,928,915</u>
Amounts falling due after more than one year:		
Amounts recoverable on long term contracts	<u>5,512,202</u>	<u>8,607,834</u>
	<u>55,657,816</u>	<u>72,536,749</u>

12. Cash at bank and in hand

The company's bankers has the right to set off the company's bank balance when in credit against borrowings by Richard Costain Limited.

13. Creditors: amounts falling due within one year

	1994 £	1993 £
Trade creditors	40,243,830	63,065,126
Other creditors and social security	82,954	105,464
Credit balances on long term contracts	2,330	34,282
Amounts owing to parent and fellow subsidiary undertakings	3,033,925	11,124,525
Amounts owing to own subsidiary undertakings	394,340	394,340
Taxation	9,607,801	5,392,210
Dividend	<u>7,000,000</u>	<u>11,375,680</u>
	<u>60,365,180</u>	<u>91,491,627</u>

14. Creditors: amounts falling due after more than one year

Trade creditors	<u>3,660,917</u>	<u>5,090,210</u>
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COSTAIN CIVIL ENGINEERING LIMITED
NOTES ON THE ACCOUNTS continued
31 December 1994

15. Provisions for liabilities and charges

	At beginning of year	Movement in year	At end of year
TML provision (see note 1)	<u>20,000,000</u>	<u>(5,000,000)</u>	<u>15,000,000</u>

16. Share capital

	Authorised £	1994 Issued £	Authorised £	1993 Issued £
Ordinary shares of £1 each, fully paid	<u>5,000,000</u>	<u>3,892,858</u>	<u>5,000,000</u>	<u>3,892,858</u>

17. Reconciliation of shareholders' funds

	1994 £	1993 £
Retained profit for the financial year	4,874,628	1,047,762
Opening shareholders' funds	<u>5,068,534</u>	<u>4,020,772</u>
Closing shareholders' funds	<u>9,943,162</u>	<u>5,068,534</u>

18. Reserves

	<u>Profit and loss account</u> £
At 1 January 1994	1,175,676
Retained for the year	<u>4,874,628</u>
At 31 December 1994	<u>6,050,304</u>

19. Consolidated accounts

Consolidated accounts have not been prepared under S228 of the Companies Act 1985, as the company at 31 December 1994 was a wholly owned subsidiary of Costain Group PLC, its ultimate parent company, which is a company incorporated in Great Britain and registered in England and Wales.

COSTAIN CIVIL ENGINEERING LIMITED
NOTES ON THE ACCOUNTS continued
31 December 1994

20. Joint ventures

	Percentage interest	Nature of business	Country	Accounts year end date
Costain Tarmac	50	Civil Engineering	UK	30 Sept
Transmanche-Link	10	Civil Engineering	UK and France	31 Dec
Costain Taylor-Woodrow-Coulport	50	Civil Engineering	UK	30 Sept
Airport Platform Contractors	10	Civil Engineering	Hong Kong	31 Dec
Airport Platform (Civils) Contractors	33	Civil Engineering	Hong Kong	31 Dec
Anglo Japanese Contractors	33	Civil Engineering	Hong Kong	30 Sept

21. 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 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 and other undertakings entered into in the ordinary course of business.

22. Ultimate parent company

The largest group of undertakings for which group accounts are drawn up is that of the ultimate parent 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 parent 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 Road, London SE1 7UE.