

Registration number: 00610201

Costain Limited

Strategic Report and Directors' Report and Financial Statements

for the Year Ended 31 December 2014

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Costain Limited
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Costain Limited
Company Information

| | |
|--------------------------|--|
| Directors | A Wyllie A O Bickerstaff M D Hunter A J Vaughan D G James T A Wood T G Bowen |
| Registered office | Costain House Vanwall Business Park Maidenhead Berkshire SL6 4UB |
| Auditor | KPMG LLP 15 Canada Square London E14 5GL |

Costain Limited

Strategic Report and Directors' Report for the Year Ended 31 December 2014

The directors present their report and the financial statements for the year ended 31 December 2014.

Directors of the company

The directors who held office during the year were as follows:

A Wyllie

A O Bickerstaff

R P N Bruce (resigned 31 December 2014)

M D Hunter

A Kay (resigned 4 April 2014)

A J Vaughan

D G James

T A Wood

T G Bowen

Costain Limited

Strategic Report and Directors' Report for the Year Ended 31 December 2014

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The principal activity of the Company is the supply of consultancy, engineering, construction and operations and maintenance services within the transportation, energy and water markets in the United Kingdom.

2014 has been another good year and through our unique and focused “Engineering Tomorrow” strategy, we have successfully positioned the business to provide the range of innovative integrated services demanded by our customers to meet critical national needs. We added to our skills and breadth of capability, developed our market proposition through the introduction of new technologies and ensured that we consistently delivered on the commitments given to our customers.

Our target customers are large organisations that need solutions to their complex business requirements and, as we anticipated, the changing nature and increasing complexity of these requirements continues to change the way they procure services and work with their supplier partners.

We are a trusted delivery partner collaborating strategically at all levels with our customers. We use our detailed customer understanding to create and deliver innovative engineering and technology-led solutions. We win by developing insightful and trusted relationships with our customers enabling a better understanding of their needs allowing us to identify, create and deliver the best solution. Our strategy is profitable because our customers value our long-term commitment to the relationships and trust us to address their challenges in a collaborative and innovative way.

We sustain our competitive advantage by delivering on our promises and staying ahead using our customer insight to constantly improve our proposition.

Turnover for the year was £865.5 million (2013: £689.7 million) and profit before tax was £14.9 million (2013: £12.1 million). Operating profit was £16.7 million (2013: £17.0 million) before exceptional items of £2.1 million (2013: £5.2 million) and interest.

The Company paid a dividend of £2.4 million (2013: £2.3 million).

The order book increased to £3.0 billion at year end (31 December 2013: £2.7 billion), with over £850 million secured for 2015. Over 90% of the order book comprises repeat business and over 90% is in a target cost, cost reimbursable, collaborative form of contract.

Costain continued to build on its status as a leading supplier to the Highways Agency securing a place on the five-year £5 billion Collaborative Delivery Framework and was awarded three Smart Motorway schemes as part of the Managed Motorway Programme. The Company also continued to deliver significant maintenance works within the Asset Support Framework and three Managing Agent Contracts. Our broad, multi-disciplinary capability is also enabling close involvement at earlier stages of major projects through Early Contractor involvement (ECI) schemes, which then lead to contract extensions for the delivery phase, for example, on the A556 Knutsford project.

Costain has also continued to be a major supplier to the Welsh Government with the All Wales Technology contract progressing well and the A465 ECI contract now moving to the construction phase, following the Company's successful delivery of the front end engineering and design phase. The Company's work on strengthening the strategically important Hammersmith flyover for Transport for London is also progressing on time and on budget.

Costain Limited

Strategic Report and Directors' Report for the Year Ended 31 December 2014

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The Company's position as one of the most significant service providers for Crossrail, Europe's largest infrastructure project, was reinforced with the award of the North East Spur contract, whilst other works for Crossrail at Paddington Station, Bond Street Station and Paddington New Yard continue to progress well. At London Bridge, one of the busiest transport hubs in the UK, Costain has continued to deliver on key milestones, including the bringing into use of six new platforms. The Company is also shareholder in a joint venture that was awarded the largest share of Network Rail's £2bn National Electrification Programme and is involved in the Edinburgh to Glasgow Improvement Project.

The Company is making significant progress delivering National Grid's London Power Tunnels project and the Company secured repeat work with National Grid following appointment to the high voltage underground and overhead transmission line frameworks.

The Costain team has delivered several key overhead line projects for UK Power Networks and continues to perform operations and maintenance activities. The Company is also engaged at the ECI stage with EdF in the development of the Hinkley C new nuclear power plant, designing and developing the cooling system marine tunnel.

The Company continued to deliver successfully AMP5 frameworks for United Utilities, Southern Water, Severn Trent Water, Welsh Water and Northumbrian Water and has been awarded places on the five year AMP6 programmes for Thames Water, Severn Trent Water and Southern Water. Work also commenced on the Shieldhall contract with Scottish Water.

The Company is now a major contract partner with BAE having been appointed to its £300 million, eight year programme to re-develop the submarine site in Barrow-in-Furness.

During December, handover was achieved on the final waste facility on the legacy Greater Manchester Waste Disposal Authority PFI contract awarded in 2007. All 46 facilities on the contract are now either fully completed or in the warranty period under the terms of the contract during which further work and plant modifications will be completed. Costain is in discussions with relevant contract counterparties and the Company's insurers regarding the issues that have arisen on this contract. The Company expects a successful outcome to these discussions. A provision has been taken in 2014 for additional costs to complete the project. The Company is not pursuing further fixed price contracts of this nature.

Our customers continue to place great emphasis on the "good citizen" credentials of their supply chain partners. Given the profile of their businesses and the nature of the activities we undertake, how we deliver our services is as important to them as what we do. Increasingly, customers insist that their Tier One providers share their corporate and social responsibility values and failure to embrace this means non-qualification for tender lists.

Management of health and safety is a core value at Costain and we place a priority on the management of Safety, Health and Environment. The Company's Accident Frequency Rate improved to 0.12 (2013: 0.14). Notwithstanding the improved performance, and in view of the prosecution and £0.5 million fine for health and safety breaches following the death in 2011 of a subcontract worker at a site in Newbury, we recognise that there is still more we must do to achieve our objective of zero accidents.

Our "Costain Cares" programme places responsible, effective and collaborative stakeholder relationships at the core of everything we do. It is a central part of our value proposition to customers and has a direct impact on the size and quality of our order book.

We retained our Platinum status in the Business in the Community index, recognising our proactive commitment to the environmental and social aspects of our operations.

Costain Limited

Strategic Report and Directors' Report for the Year Ended 31 December 2014

..... *continued*

Business review

Principal risks and uncertainties

There are a number of potential risks and uncertainties which could have a material impact on the business, its financial condition or results of operations. Costain has specific policies and procedures which are designed to identify, manage and mitigate business risks.

These risks and uncertainties include

- Health, safety and environment, the health and safety of our people and everyone who is impacted by Costain remains our highest priority;
- Change of Government and policy on spending, particularly with regard to improving national infrastructure, might affect the volume of work available in the Company's target markets;
- Economy, uncertainty over the economic outlook or changes to governmental regulation, taxation and interest rates might affect customer spending and the amount of work available to Costain;
- Competition, the failure to compete effectively, could result in a failure to win work;
- Operational delivery, the failure to follow Costain's Best Practice procedures could mean projects are not delivered to time, cost, quality or appropriate health and safety and environmental standards and, therefore, do not meet clients' expectations. Failure to follow Company Standards, Policies, Procedures and Guidelines could also adversely affect the Company's reputation and/or expose it to financial liabilities and adversely affect the operational and financial performance;
- People, the ability to attract, develop and retain highly skilled management and personnel may limit the Company's ability to grow as anticipated;
- Financial strength, the Company needs to demonstrate the required level of financial strength to compete for long-term contracts;
- Costain Group's pension deficit, exposes the Company to the risk that contributions may need to increase to cover funding shortfalls, which could adversely impact the Company's results;
- Supply chain, financial failure within the supply chain or the supply chain being responsible for late or inadequate delivery or poor quality of work on a project could damage the Company's reputation and/or cause it to suffer financial loss. The Company also seeks to ensure it is not overly reliant on any joint venture partner;
- The loss of IT systems/ key documentation, failure of IT systems or the failure to secure key documentation could result in financial loss; and
- Acquisitions, failing to integrate successfully an acquired business could impact the Company's future profits

Risk management has been important within the Company for many years and includes a specific project risk management procedure that requires a Tender Project Risk Register and a Commercial Risk Review to be prepared in respect of each contract bid. Risks are divided into four categories: safety, technical, operational and environmental.

The Executive Investment Panel reviews tender bids and risk mitigations in respect of those bids and part of its purpose is to ensure that the Company is as selective as possible when taking on potential liabilities or recognising opportunities. Following contract award, project risks are assessed and reviewed by the project manager and commercial manager on a continuing basis and the project team produces a monthly Contract Leader's Report, which is reviewed with senior management. This report contains a number of indicators of project performance: Health and Safety, Programme, Risk management, Financial performance, Claims and variations, Cash management, Resource levels and Customer service.

For the Company as a whole, the following Key Performance Indicators are considered the most effective measures of progress toward achieving the overall objectives: Operating profit, Profit before tax, Order book, Repeat business, Net cash balance, Accident Frequency Rate and Supply chain performance.

Costain Limited

Strategic Report and Directors' Report for the Year Ended 31 December 2014

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Charitable donations

During the year, the Company made charitable donations of £212,960. Individual donations of £2,000 and over were:

| | £ |
|-----------------------------------|---------------|
| Business in the Community | 32,975 |
| CLIC Sargent | 3,133 |
| Cystic Fibrosis Trust | 2,652 |
| The Prince's Trust | 88,835 |
| Redr UK | 6,000 |
| The Costain Charitable Foundation | 7,200 |
| TMUK Charitable Trust | 20,000 |
| United Utilities PLC Charity | 3,188 |
| WaterAid UK | <u>29,593</u> |

Employment of disabled persons

It is the Company's policy to give full and fair consideration to applications for employment made by disabled persons, to continue wherever possible the employment of and to arrange appropriate training for those who become disabled and to provide equal opportunities for the training and career development of disabled employees.

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.

Future developments

The report may contain certain forward-looking statements. The forward-looking statements are not intended to be guarantees of future performance but are based on current views and assumptions and involve known and unknown risks, uncertainties and other factors that may cause actual results to differ from any future results or developments expressed or implied from the forward-looking statements.

Costain Limited

Strategic Report and Directors' Report for the Year Ended 31 December 2014

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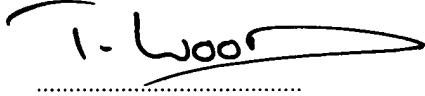
Disclosure of information to the auditor

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 auditor is 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 auditor is aware of that information.

Reappointment of auditor

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

Approved by the Board on 22 April 2015 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'T. A. Wood', with a long horizontal stroke extending to the right.

.....
T A Wood
Director

Costain House
Vanwall Business Park
Maidenhead
SL6 4UB

Costain Limited
Statement of Directors' Responsibilities

The directors are responsible for preparing the Strategic Report and Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 apply them consistently;
- make judgements and accounting 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 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. They 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.

Independent Auditor's Report to the Members of Costain Limited

We have audited the financial statements of Costain Limited for the year ended 31 December 2014, set out on pages 11 to 32. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor

As explained more fully in the Statement of Directors' Responsibilities (set out on page 8), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council website at www.frc.org.uk/auditscopeukprivate.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

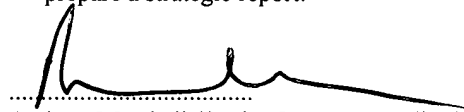
**Independent Auditor's Report to the Members of
Costain Limited**

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Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.



Andrew Marshall (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor

15 Canada Square
London
E14 5GL

24 April 2015

Costain Limited
Profit and Loss Account for the Year Ended 31 December 2014

| | Note | 2014 £ | 2013 £ |
|---|------|--------------------------|-------------------------|
| Turnover | 2 | 865,527,221 | 689,654,066 |
| Cost of sales | | <u>(827,850,620)</u> | <u>(649,592,100)</u> |
| Gross profit | | 37,676,601 | 40,061,966 |
| Administrative expenses | | <u>(20,942,800)</u> | <u>(23,052,648)</u> |
| Operating profit | | <u>16,733,801</u> | <u>17,009,318</u> |
| Loss on sale or termination of operations | | - | (1,480,000) |
| Amounts written off fixed asset investments | 10 | (22,113,897) | (3,750,000) |
| Income from fixed asset investment | | 18,999,900 | - |
| Write back of deferred consideration creditor | | 1,799,450 | - |
| Amortisation of acquired intangible assets | | <u>(783,333)</u> | <u>-</u> |
| Non-operating exceptional items | | (2,097,880) | (5,230,000) |
| Other interest receivable and similar income | 6 | 333,025 | 431,851 |
| Interest payable and similar charges | | <u>(81,713)</u> | <u>(77,929)</u> |
| Profit on ordinary activities before taxation | 3 | 14,887,233 | 12,133,240 |
| Tax on profit on ordinary activities | 7 | <u>(3,620,053)</u> | <u>(4,329,364)</u> |
| Profit for the financial year | 18 | <u><u>11,267,180</u></u> | <u><u>7,803,876</u></u> |

All activities relate to continuing operations.

Costain Limited

Statement of Total Recognised Gains and Losses for the Year Ended 31 December 2014

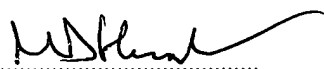
| | Note | 2014 £ | 2013 £ |
|--|-------------|--------------------------|-------------------------|
| Profit for the financial year | | 11,267,180 | 7,803,876 |
| Equity-settled share-based payments | | 2,160,817 | 2,725,626 |
| Deferred tax on equity-settled share-based payments | | <u>(432,163)</u> | <u>(572,381)</u> |
| Total recognised gains and losses relating to the year | | <u><u>12,995,834</u></u> | <u><u>9,957,121</u></u> |

The notes on pages 14 to 32 form an integral part of these financial statements.

Costain Limited
(Registration number: 00610201)
Balance Sheet at 31 December 2014

| | Note | 2014 £ | 2013 £ |
|---|------|--------------------|--------------------|
| Fixed assets | | | |
| Intangible fixed assets | 8 | 1,566,667 | 2,350,000 |
| Tangible fixed assets | 9 | 9,523,390 | 5,762,998 |
| Investments | 10 | 30,731,294 | 31,995,191 |
| | | <u>41,821,351</u> | <u>40,108,189</u> |
| Current assets | | | |
| Stocks | | 1,008,318 | 1,232,094 |
| Debtors | 11 | 260,258,966 | 252,247,085 |
| Cash at bank and in hand | 12 | 58,236,214 | 47,612,736 |
| | | <u>319,503,498</u> | <u>301,091,915</u> |
| Creditors: Amounts falling due within one year | 13 | (263,494,061) | (253,325,336) |
| Net current assets | | <u>56,009,437</u> | <u>47,766,579</u> |
| Total assets less current liabilities | | 97,830,788 | 87,874,768 |
| Creditors: Amounts falling due after more than one year | 14 | (9,642,933) | (9,912,763) |
| Provisions for liabilities | 15 | (256,000) | (625,984) |
| Net assets | | <u>87,931,855</u> | <u>77,336,021</u> |
| Capital and reserves | | | |
| Called up share capital | 17 | 3,892,858 | 3,892,858 |
| Profit and loss account | 18 | 84,038,997 | 73,443,163 |
| Shareholders' funds | 19 | <u>87,931,855</u> | <u>77,336,021</u> |

Approved by the Board on 22 April 2015 and signed on its behalf by:



MD Hunter
Director

Costain Limited

Notes to the Financial Statements for the Year Ended 31 December 2014

1 Accounting policies

Basis of preparation

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

Interests in unincorporated joint arrangements, which are not subsidiary undertakings, are accounted for by recognising the Company's share of the assets and liabilities, profits, losses and cash flows, measured according to the terms of the arrangement.

Exemption from preparing a 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.

Going concern

The Company's principal business activity, which involves long-term contracts with a number of customers across the United Kingdom, is described in the Directors' Report on page 3. To meet its day-to-day working capital requirements, the Company uses cash balances provided from shareholders' capital and retained earnings. The ultimate parent company, Costain Group PLC, manages its United Kingdom cash balances using a centralised cash system and surplus cash held by the Company outside joint arrangements is loaned at interest to a fellow subsidiary on a day-to-day basis. These loans are repaid daily to satisfy any cash requirements. Also, as part of its contracting operations, the Company may be required to provide performance and other bonds and it satisfies these requirements by utilising committed bonding facilities from banks and surety companies made available to Costain Group PLC and its subsidiaries.

The directors have acknowledged the guidance "Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009" published by the Financial Reporting Council in October 2009. The directors have considered the Company's financial requirements, the current order book and future opportunities and the available bonding facilities. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The directors have reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing these financial statements.

Turnover

Turnover is measured at the fair value of the consideration received or receivable, net of value added tax and includes the company's share of turnover of joint arrangement contracts.

Turnover from long-term contracts is described below.

Rental income is recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives are recognised as an integral part of the total rental income on a straight-line basis over the term of the lease.

Amortisation

Non-current intangible assets are amortised on a straight-line basis over their estimated economic useful lives.

Costain Limited

Notes to the Financial Statements for the Year Ended 31 December 2014

..... *continued*

| Asset class | Amortisation method and rate |
|-------------|------------------------------|
| Order Book | Straight line over 3 years |

Depreciation

Except for land, which is not depreciated, the cost or valuation of tangible fixed assets is depreciated over the expected life on a straight-line basis to residual values as follows:

| Asset class | Depreciation method and rate |
|--------------------------|------------------------------|
| Long leasehold buildings | 2% |
| Plant and equipment | 10% - 50% |

Research and development

Development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured. Any expenditure carried forward is amortised in line with the expected future sales from the related project.

Fixed asset investments

Fixed asset investments are stated at historical cost less provision for any diminution in value.

Long-term contracts

Revenue arises from increases in valuations on long-term contracts. Where the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, turnover and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date. Stage of completion is assessed by reference to the proportion of contract costs incurred for the work performed to date relative to the estimated total costs, except where this would not be representative of the stage of completion.

When it is probable that total contract costs will exceed total contract turnover, the expected loss is recognised as an expense immediately.

Variations and claims are included where it is probable that the amount, which can be measured reliably, will be recovered from the customer. When the outcome of a construction contract cannot be estimated reliably, contract turnover is recognised to the extent of contract costs incurred where it is probable those costs will be recoverable.

Contract costs are recognised as expenses in the period in which they are incurred.

Bid costs

Costs associated with bidding for contracts are written off as incurred. When it is probable that a contract will be awarded, usually when the company has secured preferred bidder status, costs incurred from that date to the date of financial close are carried forward in the balance sheet.

Stocks

Stocks comprise raw materials and are stated at the lower of cost and net realisable value.

Costain Limited

Notes to the Financial Statements for the Year Ended 31 December 2014

..... *continued*

Deferred tax

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.

Foreign currency

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 transactions.

Operating leases

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Share-based payments

Costain Group PLC operates various equity-settled and cash-settled share option schemes. Equity-settled share-based payments are measured at fair value at the date of grant and the fair value is expensed over the vesting period, based on the estimate of awards that will eventually vest. For cash-settled share-based payments, a liability equal to the portion of the services received is recognised at its current fair value determined at each balance sheet date. Fair value is measured by the use of the Black-Scholes option pricing model.

Pensions

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.

2 Business and geographical segment information

The majority of turnover arises from contracting work in the United Kingdom and turnover by destination is not materially different from turnover by origin.

| | 2014 £ | 2013 £ |
|----------------------|-------------|-------------|
| External turnover | 860,174,527 | 673,503,107 |
| Intra-group turnover | 5,352,694 | 16,150,959 |

Costain Limited

Notes to the Financial Statements for the Year Ended 31 December 2014

..... *continued*

| | |
|--------------------|--------------------|
| <u>865,527,221</u> | <u>689,654,066</u> |
|--------------------|--------------------|

3 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging/(crediting):

| | 2014 £ | 2013 £ |
|---|--------------------|------------|
| External hire of plant & machinery | 44,309,295 | 25,276,306 |
| Depreciation of owned tangible assets | 1,857,657 | 1,679,438 |
| Amortisation of acquired intangible assets | 783,333 | - |
| Auditor's remuneration | 398,420 | 229,000 |
| Loss on sale or termination of operations | - | 1,480,000 |
| Amounts written off fixed asset investments | 22,113,897 | 3,750,000 |
| Write back of deferred consideration creditor | <u>(1,799,450)</u> | <u>-</u> |

Fees paid to KPMG LLP for services other than the statutory audit of the company are not disclosed in these accounts since the consolidated accounts of the ultimate parent, Costain Group PLC, are required to disclose non-audit fees on a consolidated basis.

During the prior year the company disposed of its interest in Severn Trent Costain Ltd.

During the year, the company provided a total of £22,113,897 against the investments in EPC Offshore Ltd, Costain Upstream Ltd and Promanex (C & IS) Ltd as explained in Note 10.

During the prior year the company provided £3,750,000 against the value of investments in the four Promanex subsidiary companies

The estimated future contingent consideration for EPC Offshore Ltd was reduced by £1,799,450 and credited to the profit and loss.

Costain Limited

Notes to the Financial Statements for the Year Ended 31 December 2014

..... *continued*

4 Particulars of employees

The average number of operational personnel employed by the company during the year in the United Kingdom was (221) (2013: 291).

In addition, the average number of staff seconded from a group undertaking that worked during the year for the company was (2,042) comprising administrative (490) and operational (1,552) (2013: 441 and 1,398).

The aggregate payroll costs were as follows:

| | 2014 £ | 2013 £ |
|-----------------------|--------------------|--------------------|
| Wages and salaries | 127,629,868 | 110,312,023 |
| Social security costs | 13,823,669 | 13,060,445 |
| Staff pensions | 19,639,343 | 16,529,858 |
| Share-based payments | 2,160,817 | 2,725,626 |
| | <u>163,253,697</u> | <u>142,627,952</u> |

The company incurs pension costs in respect of employees seconded from a group undertaking on a defined contributions basis. Seconded employees that participated in The Costain Pension Scheme were provided with benefits based on a defined benefits basis. This scheme was closed for future accrual on 30 September 2009 and replaced by a defined contribution scheme. Details of the schemes are included in the financial statements of Costain Group PLC.

The cost for the period of contributions to these schemes is included in the analysis above. There are no outstanding or prepaid contributions at the balance sheet date.

The company participates in the Building & Civil Engineering stakeholder pension scheme known as EasyBuild.

Costain Limited

Notes to the Financial Statements for the Year Ended 31 December 2014

..... *continued*

5 Directors' remuneration

The directors' remuneration for the year was as follows:

| | 2014 £ | 2013 £ |
|--|---------------|----------------|
| Remuneration | 1,713,061 | 1,998,976 |
| Company contributions paid to money purchase schemes | <u>95,761</u> | <u>120,608</u> |

In respect of the highest paid director:

| | 2014 £ | 2013 £ |
|---|---------------|---------------|
| Remuneration | 323,661 | 332,313 |
| Benefits under long-term incentive schemes | 284,322 | 167,684 |
| Company contributions to money purchase pension schemes | <u>26,768</u> | <u>10,113</u> |

During the year, the highest paid director exercised share options and also received or was entitled to receive shares under a long term incentive scheme.

A Wyllie and A O Bickerstaff receive their remuneration entirely as directors of Costain Group PLC.

The long-term incentive plans all relate to shares in Costain Group PLC.

6 Other interest receivable and similar income

| | 2014 £ | 2013 £ |
|--|----------------|----------------|
| Bank interest receivable | 133,340 | 126,681 |
| Interest receivable from amounts due from group undertakings | <u>199,685</u> | <u>305,170</u> |
| | <u>333,025</u> | <u>431,851</u> |

Costain Limited

Notes to the Financial Statements for the Year Ended 31 December 2014

..... *continued*

7 Taxation

Tax on profit on ordinary activities

| | 2014 | 2013 |
|--|-------------------------|-------------------------|
| | £ | £ |
| Current tax | | |
| Group relief payable | 3,217,874 | 4,677,645 |
| Adjustments in respect of previous years | 446,774 | 508,818 |
| Total current tax | <u>3,664,648</u> | <u>5,186,463</u> |
| Deferred tax | | |
| Origination and reversal of timing differences | 594,842 | (32,331) |
| Deferred tax adjustment relating to previous years | (639,437) | (824,768) |
| Total deferred tax | <u>(44,595)</u> | <u>(857,099)</u> |
| Total tax on profit on ordinary activities | <u><u>3,620,053</u></u> | <u><u>4,329,364</u></u> |

Factors affecting current tax charge for the year

The differences are reconciled below:

| | 2014 | 2013 |
|--|-------------------------|-------------------------|
| | £ | £ |
| Profit on ordinary activities before taxation | <u>14,887,233</u> | <u>12,133,240</u> |
| Corporation tax at standard rate of 21.5% (2013: 23.25%) | 3,200,755 | 2,820,978 |
| Decrease/(increase) in timing differences | (383,842) | 508,191 |
| Group income | (4,084,979) | - |
| Disallowed expenditure | 118,334 | 476,601 |
| Provisions against investments | 4,367,606 | 871,875 |
| Adjustments in respect of prior year | 446,774 | 508,818 |
| Total current tax | <u><u>3,664,648</u></u> | <u><u>5,186,463</u></u> |

Costain Limited

Notes to the Financial Statements for the Year Ended 31 December 2014

..... *continued*

8 Intangible fixed assets

| | Order book £ | Total £ |
|-----------------------|-------------------------|-------------------------|
| Cost | | |
| At 1 January 2014 | <u>2,350,000</u> | <u>2,350,000</u> |
| At 31 December 2014 | <u>2,350,000</u> | <u>2,350,000</u> |
| Amortisation | | |
| Charge for the year | <u>783,333</u> | <u>783,333</u> |
| At 31 December 2014 | <u>783,333</u> | <u>783,333</u> |
| Net book value | | |
| At 31 December 2014 | <u><u>1,566,667</u></u> | <u><u>1,566,667</u></u> |
| At 31 December 2013 | <u><u>2,350,000</u></u> | <u><u>2,350,000</u></u> |

Costain Limited

Notes to the Financial Statements for the Year Ended 31 December 2014

..... continued

9 Tangible fixed assets

| | Freehold land and buildings £ | Plant and machinery £ | Total £ |
|---------------------------------|--|-----------------------------|------------|
| Cost or valuation | | | |
| At 1 January 2014 | - | 18,000,601 | 18,000,601 |
| Additions | 200,000 | 5,478,109 | 5,678,109 |
| Disposals | - | (27,370) | (27,370) |
| At 31 December 2014 | 200,000 | 23,451,340 | 23,651,340 |
| Depreciation | | | |
| At 1 January 2014 | - | 12,237,603 | 12,237,603 |
| Charge for the year | - | 1,857,657 | 1,857,657 |
| Eliminated on disposals | - | (27,370) | (27,370) |
| Writedown to recoverable amount | 60,060 | - | 60,060 |
| At 31 December 2014 | 60,060 | 14,067,890 | 14,127,950 |
| Net book value | | | |
| At 31 December 2014 | 139,940 | 9,383,450 | 9,523,390 |
| At 31 December 2013 | - | 5,762,998 | 5,762,998 |

Costain Limited

Notes to the Financial Statements for the Year Ended 31 December 2014

..... continued

10 Investments held as fixed assets

Shares in group undertakings and participating interests

| | Subsidiary undertakings £ | Joints ventures and associates £ | Total £ |
|---------------------------------|---------------------------------|---|---------------------|
| Cost | | | |
| At 1 January 2014 | 35,745,164 | 27 | 35,745,191 |
| Additions | <u>20,850,000</u> | <u>-</u> | <u>20,850,000</u> |
| At 31 December 2014 | <u>56,595,164</u> | <u>27</u> | <u>56,595,191</u> |
| Provision for impairment | | | |
| At 1 January 2014 | (3,750,000) | - | (3,750,000) |
| Provided in year | <u>(22,113,897)</u> | <u>-</u> | <u>(22,113,897)</u> |
| At 31 December 2014 | <u>(25,863,897)</u> | <u>-</u> | <u>(25,863,897)</u> |
| Net book value | | | |
| At 31 December 2014 | <u>30,731,267</u> | <u>27</u> | <u>30,731,294</u> |
| At 31 December 2013 | <u>31,995,164</u> | <u>27</u> | <u>31,995,191</u> |

Acquisitions and other adjustments

During 2013, Costain Limited purchased the share capital of EPC Offshore Ltd for £19,473,997, representing an initial consideration of £10,600,000 and an estimated future contingent consideration of £8,873,997.

During 2014, Costain Upstream Ltd was acquired for £14,350,000 from a fellow group subsidiary and the share capital of three of the Promanex subsidiaries was increased by £6,500,000.

The carrying value of EPC Offshore Ltd was written down to £100 following the sale of its net assets to Costain Upstream Ltd and the payment of a dividend totalling £18,999,900 to the company.

£1,800,000 and £840,000 respectively was provided against the carrying values of Costain Upstream Ltd and Promanex (C & IS) Ltd.

Costain Limited

Notes to the Financial Statements for the Year Ended 31 December 2014

..... *continued*

Details of undertakings

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

| Undertaking | Percentage of equity held | Principal activity |
|--------------------------------|---------------------------|---|
| Subsidiary undertakings | | |
| Costain Upstream Ltd | 100% | Engineering, design and project management services |
| EPC Offshore Ltd | 100% | Not trading |
| Promanex (C & IS) Ltd | 100% | Support services |
| Promanex (C & MS) Ltd | 100% | Support services |
| Promanex Group Holdings Ltd | 100% | Holding company |
| Promanex Group Ltd* | 100% | Not trading |
| Promanex (TFM & ES) Ltd | 100% | Support services |

*Shares held by subsidiary company

Joint ventures

| | | |
|---------------------------------|-----|----------------------|
| 4Delivery Ltd | 40% | Civil engineering |
| Brighton & Hove 4Delivery Ltd | 49% | Civil engineering |
| Stratus Integrated Services Ltd | 25% | Management services |
| ABC Electrification Ltd | 33% | Rail electrification |

All subsidiary undertakings, joint ventures and joint arrangements operate in the United Kingdom.

Costain Limited

Notes to the Financial Statements for the Year Ended 31 December 2014

..... *continued*

11 Debtors

| | 2014 £ | 2013 £ |
|--|--------------------|--------------------|
| Trade debtors | 72,897,081 | 63,299,776 |
| Amounts owed by group undertakings | 67,625,679 | 83,996,908 |
| Amounts owed by participating interests | 768,000 | 2,257,763 |
| Amounts recoverable on long term contracts | 59,244,286 | 47,785,626 |
| Other debtors | 48,086,069 | 43,528,707 |
| Deferred tax | 3,986,367 | 4,373,935 |
| Prepayments and accrued income | 7,651,484 | 7,004,370 |
| | <u>260,258,966</u> | <u>252,247,085</u> |

Debtors includes other debtors of £31,428,000 (2013: £21,497,000), loans to group undertakings of £15,340,611 (2013: £Nil) and deferred tax of £3,986,367 (2013: £4,373,935) receivable after more than one year.

Costain Limited

Notes to the Financial Statements for the Year Ended 31 December 2014

..... *continued*

Deferred tax

The movement in the deferred tax asset in the year is as follows:

| | £ |
|---------------------------------------|------------------|
| At 1 January 2014 | 4,373,935 |
| Deferred tax for the current year | (594,842) |
| Adjustments in respect of prior years | 639,437 |
| Amount debited to reserves | (432,163) |
| At 31 December 2014 | <u>3,986,367</u> |

Analysis of deferred tax

| | 2014 £ | 2013 £ |
|---|------------------|------------------|
| Difference between accumulated depreciation and amortisation and capital allowances | 1,621,236 | 1,477,828 |
| Other timing differences | <u>2,365,131</u> | <u>2,896,107</u> |
| | <u>3,986,367</u> | <u>4,373,935</u> |

The Finance Act 2013 enacted on 17 July 2013 reduced the main rate of Corporation tax to 21% from 1 April 2014 and to 20% from 1 April 2015. This will reduce the company's future current tax accordingly.

The deferred tax at the balance sheet date has been calculated at the rate of 20% (2013: 21%).

The Company has other deferred taxation assets that have not been recognised on the basis that their future economic benefit was not assured as at the balance sheet date. Tax relief will be obtained if suitable profits arise in future accounting periods.

| | 2014 £ | 2013 £ |
|----------------|-----------|-----------|
| Capital losses | 337,249 | 337,249 |

12 Cash at bank and in hand

The company's banker has the right to set off the company's principal bank balance when in credit against borrowings by Richard Costain Limited. In addition, these arrangements require that all cash balances are transferred to a fellow subsidiary, Richard Costain Limited, on a daily basis; such arrangements are commonplace in large groups and facilitate effective cash management. Costain Limited's cash balance is replaced with an inter-company receivable from Richard Costain Limited; the directly held cash balance at the balance sheet date reduces to £Nil, with the balance of £58,236,214 (2013: £47,612,736) represented by uncleared items and cash held in separate accounts within joint arrangements and project specific bank accounts.

Costain Limited

Notes to the Financial Statements for the Year Ended 31 December 2014

..... continued

13 Creditors: Amounts falling due within one year

| | 2014 | 2013 |
|--|--------------------|--------------------|
| | £ | £ |
| Trade creditors | 92,979,713 | 83,131,050 |
| Bank loans and overdrafts | - | 73,492 |
| Credit balances on long term contracts in progress | 3,108,250 | 5,490,155 |
| Amounts owed to participating interests | 6,301,110 | 4,604,473 |
| Group relief payable | 3,664,648 | 5,097,838 |
| Other taxes and social security | 978,324 | 949,594 |
| Other creditors | 13,939,832 | 9,070,628 |
| Accruals and deferred income | 129,635,375 | 119,839,260 |
| Owed to parent and group undertakings | 12,215,347 | 25,068,846 |
| Deferred consideration | 671,462 | - |
| | <u>263,494,061</u> | <u>253,325,336</u> |

14 Creditors: Amounts falling due after more than one year

| | 2014 | 2013 |
|------------------------------|------------------|------------------|
| | £ | £ |
| Accruals and deferred income | 3,239,848 | 1,038,766 |
| Deferred consideration | 6,403,085 | 8,873,997 |
| | <u>9,642,933</u> | <u>9,912,763</u> |

Costain Limited

Notes to the Financial Statements for the Year Ended 31 December 2014

..... *continued*

15 Provisions

| | Other provision £ | Total £ |
|--|-------------------------|------------|
| At 1 January 2014 | 625,984 | 625,984 |
| Charged to the profit and loss account | 170,954 | 170,954 |
| Utilised during the year | (540,938) | (540,938) |
| | (369,984) | (369,984) |
| At 31 December 2014 | 256,000 | 256,000 |

The other provisions relate to liabilities incurred on vacated leasehold properties and will be utilised within the next year.

16 Share based payments

The following schemes all relate to shares in Costain Group PLC and have earnings and profit targets based on the results of Costain Group PLC.

(a) Long-Term Incentive Plans ('LTIP')

Costain Group PLC's 2002 Long-Term Incentive Plan, approved by shareholders at the 2002 AGM, reached the end of its ten-year life in 2012 and shareholders gave their approval for the introduction of a new Long-Term Incentive Plan at the 2012 AGM. The LTIP allows for conditional awards with a maximum face value of up to 100% of base salary with a performance condition based on EPS.

(b) Annual Incentive Plan ('AIP')

Executive Directors and other senior management are eligible to participate in the Costain Group's Annual Incentive Plan, under which one third of the award is payable in shares. The total AIP award of up to 150% of base salary has performance conditions based on adjusted EBIT (Earnings before interest and tax) of Costain Group Plc (at least 50% of the award) and other measures. The share award element vests on the second anniversary of the date of grant and will be satisfied by shares purchased by a trust on behalf of the Group. It will not lead to any dilution of shareholder interest. Participants must be in employment with the Costain Group and not under notice of termination (either given or received) on the date of vesting.

(c) Deferred Share Bonus Plan ('DSBP')

Prior to 2014, Executive Directors and other senior management were eligible to participate in the Deferred Share Bonus Plan which allowed for conditional awards with a face value of up to 50% of base salary with a performance condition based on adjusted EBIT (Earnings before interest and tax) of Costain Group Plc. The deferred bonus award vests on the second anniversary of the date of grant and is satisfied by shares purchased by a trust on behalf of the Costain Group, so does not lead to any dilution of shareholder interest. Participants must be in employment with the Costain Group and not under notice of termination (either given or received) on the date of vesting.

Costain Limited

Notes to the Financial Statements for the Year Ended 31 December 2014

..... continued

(d) Save As You Earn Plans ('SAYE')

Costain Group operates a number of SAYE plans that are open to all employees who pay a fixed amount from salary into a savings account each month and may elect to save over three or five years. At the end of the savings period, employees have six months in which to exercise their options (after which the options expire) using the funds saved. If employees decide not to exercise their options, they may withdraw the funds saved. Exercise of options is subject to continued employment within the Costain Group (except where permitted by the rules of the scheme).

The amounts recognised in the profit and loss account, before income tax, for share-based payment transactions with employees was £2.2 million (2013: £2.7 million). The options outstanding at the year end have a weighted average contractual life of 5.8 years (2013: 5.6 years).

The following LTIPs arrange for the grant of shares to Executive Directors and senior management at an exercise price of £1 per individual grant. The DSBPs and AIP arrange for a Nil-cost option grant of shares to Executive Directors and senior management. The weighted average exercise price of the outstanding SAYE schemes is shown below.

| | LTIP | DSBP | AIP | SAYE | |
|------------------------------------|------------------|----------------|----------------|------------------|------------|
| | Number | Number | Number | Number | p |
| Outstanding at 1 January 2013 | 2,226,514 | 2,164,488 | - | 1,451,517 | 190 |
| Adjusted during the year | - | (225,371) | - | - | - |
| Forfeited during the year | (3,788) | - | - | (104,493) | 187 |
| Exercised during the year | (628,272) | (900,644) | - | (513,034) | 196 |
| Granted during the year | 723,046 | 313,587 | - | 1,193,421 | 222 |
| Outstanding at 31 December 2013 | 2,317,500 | 1,352,060 | - | 2,027,411 | 208 |
| Adjusted during the year | 182,130 | 195,623 | - | - | - |
| Forfeited during the year | (405,825) | (253,872) | - | (206,022) | 209 |
| Exercised during the year | (487,901) | (512,129) | - | (169,778) | 204 |
| Granted during the year | 772,916 | - | 491,000 | 1,333,729 | 232 |
| Outstanding at 31 December 2014 | <u>2,378,820</u> | <u>781,682</u> | <u>491,000</u> | <u>2,985,340</u> | <u>219</u> |
| Exercisable at the end of the year | <u>112,372</u> | <u>33,231</u> | <u>-</u> | <u>16,496</u> | <u>-</u> |

The share options exercised during the year related to the LTIP 2009, LTIP 2010 and LTIP 2011 schemes, the DSBP 2009, DSBP 2010 and DSBP 2011 schemes and the SAYE 2008 5 year plan.

Costain Limited

Notes to the Financial Statements for the Year Ended 31 December 2014

..... *continued*

17 Share capital

Allotted, called up and fully paid shares

| | 2014 | | 2013 | |
|----------------------------|------------------|------------------|------------------|------------------|
| | No. | £ | No. | £ |
| Ordinary shares of £1 each | <u>3,892,858</u> | <u>3,892,858</u> | <u>3,892,858</u> | <u>3,892,858</u> |

18 Reserves

| | Profit and loss account £ | Total £ |
|---|---------------------------------|-------------------|
| At 1 January 2014 | 73,443,163 | 73,443,163 |
| Profit for the year | 11,267,180 | 11,267,180 |
| Dividends | (2,400,000) | (2,400,000) |
| Equity-settled share-based payments net of deferred tax | <u>1,728,654</u> | <u>1,728,654</u> |
| At 31 December 2014 | <u>84,038,997</u> | <u>84,038,997</u> |

19 Reconciliation of movement in shareholders' funds

| | 2014 £ | 2013 £ |
|--|--------------------|--------------------|
| Profit attributable to the members of the company | 11,267,180 | 7,803,876 |
| Equity-settled share-based payments for the year net of deferred tax | 1,728,654 | 2,153,245 |
| Dividends | <u>(2,400,000)</u> | <u>(2,300,000)</u> |
| Net addition to shareholders' funds | 10,595,834 | 7,657,121 |
| Shareholders' funds at 1 January | <u>77,336,021</u> | <u>69,678,900</u> |
| Shareholders' funds at 31 December | <u>87,931,855</u> | <u>77,336,021</u> |

Costain Limited

Notes to the Financial Statements for the Year Ended 31 December 2014

..... *continued*

20 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 2014, these liabilities amounted to £Nil (2013: £25,000,000).

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

21 Related party transactions

Other related party transactions

During the year the company made the following related party transactions:

| | 2014 | 2013 |
|--------------------|--------------------|--------------------|
| | £ | £ |
| Joint Arrangements | 86,148,688 | 87,141,981 |
| Joint Ventures | 39,901,533 | 13,140,516 |
| | <u>126,050,221</u> | <u>100,282,497</u> |

The company has taken advantage of the exemption in FRS8 "Related Party Disclosures" from disclosing transactions with other members of the group.

The major joint arrangements in which the company has an interest are:

| | Activity | Percentage of equity held |
|---|-----------------------------|---------------------------|
| Joint arrangements | | |
| A-one+ Integrated Highways Services - MAC 7 | Engineering and Maintenance | 33 |
| A-one+ Integrated Highways Services - MAC 12 | Engineering and Maintenance | 33 |
| A-one+ Integrated Highways Services - MAC 14 | Engineering and Maintenance | 33 |
| ATC Joint Venture C610 - Crossrail | Engineering | 33 |
| Costain-Carillion Joint Venture - M1 Widening & A5/M1 Link | Civil Engineering | 50 |
| Costain-Hochtief Joint Venture - Reading station | Civil Engineering | 50 |
| Costain-Laing O'Rourke Joint Venture - Bond Street station | Civil Engineering | 50 |
| Costain-Laing O'Rourke Joint Venture - Farringdon station | Civil Engineering | 50 |
| Costain-Skanska C360 Joint Venture - Eleanor Street - Crossrail | Civil Engineering | 50 |

Costain Limited

Notes to the Financial Statements for the Year Ended 31 December 2014

..... *continued*

| | | |
|---|-------------------|----|
| Costain-Skanska C405 Joint Venture - Paddington station - Crossrail | Civil Engineering | 50 |
| Costain-Skanska C411 Joint Venture - Bond Street - Crossrail | Civil Engineering | 50 |
| Costain-Skanska C412 Joint Venture - Bond Street - Crossrail | Civil Engineering | 51 |
| Costain-Veolia-Atkins Joint Venture - Thames Water AMP6 | Civil Engineering | 44 |
| Costain-Vinci Construction Joint Venture - Shieldhall | Civil Engineering | 50 |
| Educo UK Joint Venture - Bradford Schools | Construction | 50 |
| Galliford-Costain-Atkins Joint Venture - United Utilities | Civil Engineering | 42 |
| Lagan-Ferrovial-Costain-A8 | Civil Engineering | 45 |
| The e5 Joint Venture Severn Trent Framework | Civil Engineering | 25 |

22 Control

The company is controlled by Costain Group PLC. 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, Vanwall Business Park, Maidenhead, Berkshire SL6 4UB.