

COSTAIN INTERNATIONAL LIMITED

REGISTERED NUMBER: 563275

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2003



KPMG Audit Plc
Chartered Accountants
Registered Auditor
GATWICK

COSTAIN INTERNATIONAL LIMITED
REPORT OF THE DIRECTORS
For the year ended 31 December 2003

BUSINESS REVIEW

The company continued to carry out its principal activity of civil engineering overseas.

The results for the year are set out in the Profit & Loss Account on page 4.

DIRECTORS AND SHARE INTERESTS

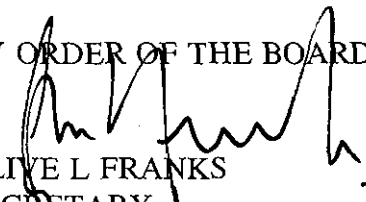
Directors who held office during the year and their disclosable interests in shares, according to the register of directors' interests were as follows:

		At 01.01.03	At 31.12.03
S J Doughty*			
C J McCole*			
A J Handford	a	374	374
	b	135,618	135,618
	c	9,450	9,450
R J N Pope	a	35	35
P R Adams (resigned 31.08.03)	b	166,915	166,915§
	c	47,250	47,250§

- a - Costain Group PLC Ordinary Shares of 10p each.
- b - Options granted on 11 October 2002 to acquire Costain Group PLC ordinary shares under the 2002 Long Term Incentive Plan.
- c - Options granted on 22 October 2002 to acquire Costain Group PLC ordinary shares under the 2002 Save As You Earn Share Option Scheme.
- * - The interests of these Directors in the shares of Costain Group PLC are disclosed in the accounts of that company.

§ - As at date of resignation.

BY ORDER OF THE BOARD


CLIVE L FRANKS
SECRETARY
16 March 2004

REGISTERED OFFICE

Costain House, Nicholsons Walk
Maidenhead, Berkshire SL6 1LN

COSTAIN INTERNATIONAL LIMITED

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE PREPARATION OF FINANCIAL STATEMENTS

For the year ended 31 December 2003

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 for that period. In preparing those financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records, which 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 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

COSTAIN INTERNATIONAL LIMITED
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS
For the year ended 31 December 2003

We have audited the financial statements on pages 4 to 8.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of audit 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 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
.....
KPMG Audit Plc
Chartered Accountants
Registered Auditor
GATWICK

16 March 2004
.....
Date

COSTAIN INTERNATIONAL LIMITED
PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2003

	Notes	2003 £	2002 £
Turnover	1	-	-
Cost of sales		26,570	26,744
		<hr/>	<hr/>
Gross profit		26,570	26,744
Administrative expenses		(11,239)	(9,779)
		<hr/>	<hr/>
Operating profit		15,331	16,965
Interest receivable - external		-	-
		<hr/>	<hr/>
Profit on ordinary activities before taxation	2	15,331	16,965
Taxation	3	-	-
		<hr/>	<hr/>
Profit for the financial year	7	15,331	16,965
		<hr/>	<hr/>

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

The above results are all derived from continuing operations.

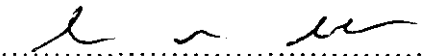
THE NOTES ON PAGES 6 TO 8 FORM PART OF THESE ACCOUNTS.

COSTAIN INTERNATIONAL LIMITED**BALANCE SHEET**

As at 31 December 2003

		2003 £	2002 £
Current assets			
Debtors	4	5,937,941	5,937,941
Cash at bank		8,417	9,360
		<hr/>	<hr/>
		5,946,358	5,947,301
Creditors: amounts falling due within one year	5	(784,223)	(800,497)
		<hr/>	<hr/>
Net current assets		5,162,135	5,146,804
		<hr/>	<hr/>
Net assets		5,162,135	5,146,804
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	6	1,800,100	1,800,100
Profit and loss account	8	3,362,035	3,346,704
		<hr/>	<hr/>
Equity shareholders' funds	7	5,162,135	5,146,804
		<hr/>	<hr/>

The financial statements were approved by the Board of Directors on 16 March 2004 and were signed on its behalf by:


.....Director
C J McCole

THE NOTES ON PAGES 6 TO 8 FORM PART OF THESE ACCOUNTS

COSTAIN INTERNATIONAL LIMITED
NOTES TO THE ACCOUNTS
For the year ended 31 December 2003

1. Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

BASIS OF ACCOUNTING

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

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.

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 the profit on ordinary activities. Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction.

TAXATION

Deferred taxation has been recognised as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more taxation in future, or a right to pay less taxation in future. An asset is not recognised to the extent that the transfer of economic benefit in future is uncertain. Deferred tax assets and liabilities recognised have not been discounted.

2. Profit on ordinary activities before taxation

	2003 £	2002 £
Profit on ordinary activities is stated after charging/(crediting):		
Auditors' remuneration: - audit	2,435	2,661
Exchange movements on foreign currency	(26,570)	(26,774)

COSTAIN INTERNATIONAL LIMITED
NOTES TO THE ACCOUNTS continued
For the year ended 31 December 2003

3. Taxation	2003	2002
	£	£
Tax reconciliation:		
Profit on ordinary activities before taxation	15,331	16,965
	<u> </u>	<u> </u>
Tax at 30%	(4,599)	(5,090)
Group relief surrendered free of charge	(8,999)	(34,240)
Exchange differences	7,692	7,829
Deferred tax not recognised	5,906	31,501
	<u> </u>	<u> </u>
Total current tax	-	-
	<u> </u>	<u> </u>
4. Debtors	2003	2002
	£	£
Amounts owing by group undertakings	5,937,941	5,937,941
	<u> </u>	<u> </u>
5. Creditors: amounts falling due within one year	2003	2002
	£	£
Amounts owing to group undertakings	776,031	791,388
Accruals and deferred income	8,192	9,109
	<u> </u>	<u> </u>
	784,223	800,497
	<u> </u>	<u> </u>
6. Share capital	2003 and 2002	
	Authorised	Issued and fully paid
	£	£
Ordinary shares of £1 each	1,800,100	1,800,100
	<u> </u>	<u> </u>

COSTAIN INTERNATIONAL LIMITED
NOTES TO THE ACCOUNTS continued
For the year ended 31 December 2003

7. Reconciliation of movements in shareholders' funds

	2003 £	2002 £
Profit for the financial year	15,331	16,965
Opening shareholders' funds	5,146,804	5,129,839
	<hr/>	<hr/>
Closing shareholders' funds	5,162,135	5,146,804
	<hr/>	<hr/>

8. Profit and loss account

	£
At 1 January 2003	3,346,704
Profit for the financial year	15,331
	<hr/>
At 31 December 2003	3,362,035
	<hr/>

9. 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 2003 these liabilities amounted to £nil (2002: £0.2m) and are included in the group accounts of the ultimate parent company.

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

10. Related party transactions

The company is exempt under Financial Reporting Standard 8 from the requirement to disclose related party transactions with other group companies on the basis that it is a wholly owned subsidiary of the ultimate parent company, Costain Group PLC.

11. Ultimate parent company

The largest and the smallest 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.

Copies of the group accounts of Costain Group PLC may be obtained from the registered office of the company, Costain House, Nicholsons Walk, Maidenhead, Berkshire, SL6 1LN.