

COSTAIN INTERNATIONAL LIMITED

REGISTERED NUMBER: 563275

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2001

KPMG Audit Plc
Chartered Accountants
Registered Auditor
GATWICK



COSTAIN INTERNATIONAL LIMITED
REPORT OF THE DIRECTORS
For the year ended 31 December 2001

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:

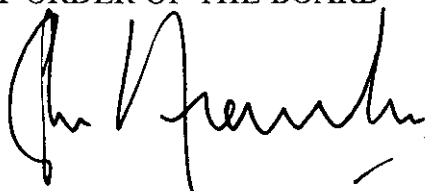
		At 01.01.01	At 31.12.01
S J Doughty*† (appointed 01.07.01)			
P R Adams		-	-
J D Bevan	a	528	528
R K J Bruce	a	289	289
A J Handford	a	374	374
R J N Pope	a	35	35
J A Armitt* (resigned 30.06.01)			
M W Roberts* (resigned 31.12.01)			

a - Costain Group PLC Ordinary Shares of 10p each.

* - The interests of these Directors in the shares of Costain Group PLC are disclosed in the accounts of that company.

† - At subsequent date of appointment

BY ORDER OF THE BOARD



CLIVE L FRANKS
SECRETARY
26 March 2002

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 2001

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 to 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 2001

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

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 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

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

.....
26 March 2002
Date

COSTAIN INTERNATIONAL LIMITED
PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2001

	Notes	2001 £	2000 £
Turnover	1	-	(59,818)
Cost of sales		1,011	345,354
		<hr/>	<hr/>
Gross profit		1,011	285,536
Administrative expenses		(11,082)	(44,561)
		<hr/>	<hr/>
Operating (loss)/profit		(10,071)	240,975
Interest receivable - external		1,187	12,158
		<hr/>	<hr/>
(Loss)/profit on ordinary activities before taxation	2	(8,884)	253,133
Taxation	5	-	(74,151)
		<hr/>	<hr/>
(Loss)/profit for the financial year	9	(8,884)	178,982
		<hr/>	<hr/>

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


The above results are all derived from continuing operations.

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

COSTAIN INTERNATIONAL LIMITED
BALANCE SHEET
As at 31 December 2001

		2001 £	2000 £
Current assets			
Debtors	6	5,937,941	5,942,273
Cash at bank		10,354	80,829
		<hr/>	<hr/>
		5,948,295	6,023,102
Creditors: amounts falling due within one year	7	(818,456)	(884,379)
		<hr/>	<hr/>
Net current assets		5,129,839	5,138,723
		<hr/>	<hr/>
Net assets		5,129,839	5,138,723
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	8	1,800,100	1,800,100
Profit and loss account	10	3,329,739	3,338,623
		<hr/>	<hr/>
Equity shareholders' funds	9	5,129,839	5,138,723
		<hr/>	<hr/>

The financial statements were approved by the Board of Directors on 26 March 2002 and were signed on its behalf by:


.....Director
P R Adams

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 2001

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.

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 company participates, on a defined contributions basis, in a pension scheme for the benefit of its seconded employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

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

COSTAIN INTERNATIONAL LIMITED
NOTES TO THE ACCOUNTS continued
For the year ended 31 December 2001

2. (Loss)/profit on ordinary activities before taxation

	2001 £	2000 £
(Loss)/profit on ordinary activities is stated after charging/(crediting):		
Auditors' remuneration: - audit	2,777	2,628
Exchange movements on foreign currency	(337)	9,370

3. Staff costs

The average number of staff seconded from a group undertaking who worked for the company during the year in the United Kingdom and overseas was NIL and NIL respectively (2000: NIL and 2).

The aggregate payroll costs of these persons were as follows:

	2001 £	2000 £
Wages and salaries	-	50,298
Social security costs	-	-
Pension costs	-	-
	<hr/>	<hr/>
	-	50,298
	<hr/>	<hr/>

The company incurs pension costs in respect of employees seconded from a group undertaking on a defined contributions basis. These seconded employees participate in the Costain Group's UK defined benefit pension scheme, which provides benefits based on final pensionable salary; details of this scheme are included in the accounts of Costain Group PLC.

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

COSTAIN INTERNATIONAL LIMITED
NOTES TO THE ACCOUNTS continued
For the year ended 31 December 2001

4. Remuneration of Directors

No emoluments were paid to directors of the company during the year (2000: £Nil).

5. Taxation

	2001 £	2000 £
On profits for the year:		
United Kingdom corporation tax at 30%	-	74,151
	<u> </u>	<u> </u>

6. Debtors

	2001 £	2000 £
Amounts owing by group undertakings	5,937,941	5,937,941
Other debtors	-	4,332
	<u> </u>	<u> </u>
	5,937,941	5,942,273
	<u> </u>	<u> </u>

7. Creditors: amounts falling due within one year

	2001 £	2000 £
Other creditors	-	250
Amounts owing to group undertakings	808,315	797,630
Corporation tax	-	74,151
Accruals and deferred income	10,141	12,348
	<u> </u>	<u> </u>
	818,456	884,379
	<u> </u>	<u> </u>

COSTAIN INTERNATIONAL LIMITED
NOTES TO THE ACCOUNTS continued
For the year ended 31 December 2001

8. Share capital

	2001 and 2000	
	Authorised	Issued and fully paid
	£	£
Ordinary shares of £1 each	1,800,100	1,800,100
	<u> </u>	<u> </u>

9. Reconciliation of movements in shareholders' funds

	2001	2000
	£	£
(Loss)/profit for the financial year	(8,884)	178,982
Opening shareholders' funds	5,138,723	4,959,741
	<u> </u>	<u> </u>
Closing shareholders' funds	5,129,839	5,138,723
	<u> </u>	<u> </u>

10. Profit and loss account

	£
At 1 January 2001	3,338,623
Loss for the financial year	(8,884)
	<u> </u>
At 31 December 2001	3,329,739
	<u> </u>

11. Contingent liabilities

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

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 and certain joint ventures. At 31 December 2001 these liabilities amounted to £0.2m (2000:£4.6m) 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.

12. 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.

13. 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, Nicholson's Walk, Maidenhead, Berks. SL6 1LN.