

**COSTAIN ALCAIDESA LIMITED**

**REGISTERED NUMBER 2042076**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**31 December 2002**

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



**COSTAIN ALCAIDESA LIMITED**  
**REPORT OF THE DIRECTORS**  
**For the year ended 31 December 2002**

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**BUSINESS REVIEW**

The company continued to carry out its principal activity of investment holding.

The provision against the investment in Alcaidesa Holding SA was reduced by £5.0m (2001: £4.5m).

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 01.01.02	At 31.12.02
S J Doughty*			
C J McCole*†	(appointed 26.04.02)		
M F Burdes	a	460	460
	b	-	49,275

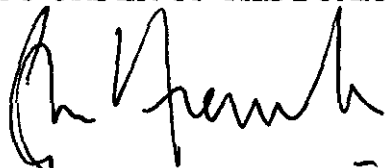
a - Costain Group PLC ordinary shares of 10p each.

b - 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 the 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 FRANKS  
SECRETARY  
25 March 2003

**REGISTERED OFFICE**

Costain House, Nicholsons Walk  
Maidenhead, Berkshire SL6 1LN

**COSTAIN ALCAIDESA LIMITED**

**DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE PREPARATION OF  
FINANCIAL STATEMENTS**

**For the year ended 31 December 2002**

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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 ALCAIDESA LIMITED**

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS**

**For the year ended 31 December 2002**

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We have audited the financial statements on pages 4 to 9.

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 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

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

*25 April 2003*  
.....  
Date

**COSTAIN ALCAIDESA LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**For the year ended 31 December 2002**

	Notes	2002 £	2001 £
Release of provision against investment in joint venture		5,000,000	4,500,000
Exchange loss		-	(40,849)
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>		5,000,000	4,459,151
Taxation	3	-	-
		<hr/>	<hr/>
<b>Profit for the financial year</b>	7	5,000,000	4,459,151
		<hr/>	<hr/>

There were no recognised gains or losses other than the profit for the year and the preceding year.


All profits are attributable to continuing operations.

THE NOTES ON PAGES 6 TO 9 FORM PART OF THESE FINANCIAL STATEMENTS

**COSTAIN ALCAIDESA LIMITED**  
**BALANCE SHEET**  
**As at 31 December 2002**

	Notes	2002 £	2001 £
<b>Fixed assets</b>			
Investments	4	12,324,071	7,324,071
		<u>                    </u>	<u>                    </u>
<b>Creditors: amounts falling due within one year</b>	5	(2,738,586)	(2,738,586)
		<u>                    </u>	<u>                    </u>
<b>Net current liabilities</b>		(2,738,586)	(2,738,586)
		<u>                    </u>	<u>                    </u>
<b>Net assets</b>		9,585,485	4,585,485
		<u>                    </u>	<u>                    </u>
<b>Capital and reserves</b>			
Called up share capital	6	32,500,000	32,500,000
Profit and loss account	7	(22,914,515)	(27,914,515)
		<u>                    </u>	<u>                    </u>
<b>Equity shareholders' funds</b>	8	9,585,485	4,585,485
		<u>                    </u>	<u>                    </u>

The financial statements were approved by the Board of Directors on 25 March 2003 and were signed on its behalf by:

 ..... Director  
C J McCole

THE NOTES ON PAGES 6 TO 9 FORM PART OF THESE FINANCIAL STATEMENTS

**COSTAIN ALCAIDESA LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2002**

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**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.

**FOREIGN CURRENCY TRANSACTIONS**

Monetary assets and liabilities 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.

**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.

**2. Staff costs and remuneration of directors**

No emoluments were paid to the directors of the company during the year (2001: £nil). There were no staff employed during the year (2001: nil).

**3. Taxation**

	2002 £	2001 £
Tax reconciliation:		
Profit on ordinary activities before taxation:	5,000,000	4,459,151
	<hr/>	<hr/>
Tax at 30%	(1,500,000)	(1,337,745)
Release of disallowed provision	1,500,000	1,350,000
Sundry disallowed expenditure	-	(39,932)
Group relief claimed free of charge	-	27,677
	<hr/>	<hr/>
Total current tax	-	-
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**COSTAIN ALCAIDESA LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS continued**  
**For the year ended 31 December 2002**

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<b>4. Investments</b>	<b>Joint Venture</b>
	£
<b>Cost</b>	
At 1 January 2002 and 31 December 2002	33,324,071
	<hr/>
<b>Provisions</b>	
At 1 January 2002	(26,000,000)
Released in year	5,000,000
	<hr/>
At 31 December 2002	(21,000,000)
	<hr/>
<b>Net book value</b>	
At 31 December 2002	12,324,071
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At 31 December 2001	7,324,071
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<b>Investment in joint ventures</b>	

The company owns 50% of the issued share capital of Alcaidesa Holding SA, a residential development company incorporated in Spain. The aggregate amount of the capital and reserves of the joint venture at the year end is £41.7m (2001: £19.6m). The joint venture undertaking made a profit during the year of £20.0m (2001: £3.6m).



**COSTAIN ALCAIDESA LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS continued**

**For the year ended 31 December 2002**

**5. Creditors: amounts falling due within one year**

	2002 £	2001 £
Amounts owed to group undertakings	2,738,586	2,738,586

**6. Share capital**

	2002 and 2001	
	Authorised £	Issued and fully paid £
Ordinary shares of £1 each	35,000,000	32,500,000

**7. Profit and loss account**

	£
Deficit at 1 January 2002	(27,914,515)
Profit for the financial year	5,000,000
Deficit at 31 December 2002	(22,914,515)

**8. Reconciliation of movement in shareholders' funds**

	2002 £	2001 £
Profit for the financial year	5,000,000	4,459,151
Opening shareholders' funds	4,585,485	126,334
Closing shareholders' funds	9,585,485	4,585,485

**9. 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 and certain joint ventures. At 31 December 2002 these liabilities amounted to £0.2m (2001:£0.2m) and are included in the group accounts of the ultimate parent company.

The shares of Alcaidesa Holding SA held by the company have been pledged as security for certain loans to Alcaidesa Holding SA.

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

**10. Related parties transactions**

The company is exempt under Financial Reporting Standard 8 from the requirements 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 undertaking**

The largest and the smallest group of undertakings for which group accounts are drawn up is that of the ultimate parent undertaking, 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.