

COSTAIN BUILDING & CIVIL ENGINEERING LIMITED

REGISTERED NUMBER 1054232

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2001

KPMG Audit Plc
Chartered Accountants
Registered Auditor
GATWICK



COSTAIN BUILDING & CIVIL ENGINEERING LIMITED
REPORT OF THE DIRECTORS
For the year ended 31 December 2001

BUSINESS REVIEW

The company continued to carry out its principal activity of building and civil engineering contracting in Hong Kong.

The results for the year are set out in the Profit and Loss Account on page 5.

DIRECTORS AND SHARE INTERESTS

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

| | | At 01.01.01 | At 31.12.01 |
|---------------|---------------------|----------------|----------------|
| S J Doughty*† | | | |
| L T Eames | a | 608 | 608 |
| | b | 7,263 | 7,263 |
| C L Franks | a | 393 | 393 |
| A J Handford | a | 374 | 374 |
| D H Jenkins | a | 520 | 520 |
| | b | 5,000 | 5,000 |
| S J Taylor | a | 512 | 512 |
| | b | 5,000 | 5,000 |
| J A Armitt* | (resigned 30.06.01) | | |
| M W Roberts* | (resigned 31.12.01) | | |

a - Costain Group PLC ordinary shares of 10p each

b - Options to acquire Costain Group PLC shares.

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

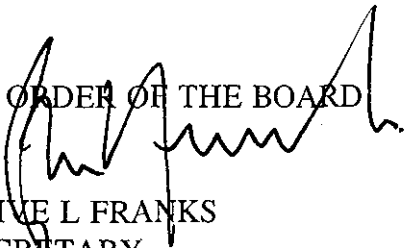
† - At subsequent date of appointment

COSTAIN BUILDING & CIVIL ENGINEERING LIMITED
REPORT OF THE DIRECTORS continued
For the year ended 31 December 2001

CREDITOR PAYMENT POLICY AND PRACTICE

As a result of the nature of the company's business, the contractual relationships with the suppliers of goods and services and with subcontractors vary according to circumstances. It is the company's policy to enter into an appropriate form of contractual agreement on payment terms and to pay according to those terms. The company does not follow any particular code of practice for the payment of creditors. In practice, the company makes every effort to pay when it can be confirmed that the supplier has provided the goods or services in accordance with the relevant terms of the contract. The amount for trade creditors shown in the balance sheet at the end of the financial year represents 105 days (2000: 127 days) of average daily purchases.

BY ORDER OF THE BOARD


CLIVE L FRANKS
SECRETARY
26 March 2002

REGISTERED OFFICE
Costain House, Nicholsons Walk,
Maidenhead, Berkshire SL6 1LN

COSTAIN BUILDING & CIVIL ENGINEERING 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 BUILDING & CIVIL ENGINEERING LIMITED
INDEPENDENT AUDITORS REPORT TO THE MEMBERS
For the year ended 31 December 2001

We have audited the financial statements on pages 5 to 15.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3 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 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

.....*26 March 2002*.....
Date

COSTAIN BUILDING & CIVIL ENGINEERING LIMITED
PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2001

| | Notes | 2001 £ | 2000 £ |
|---|-------|----------------|--------------------------|
| Turnover | 1/2 | 6,261,714 | 7,680,100 |
| Cost of sales | | (5,771,456) | (5,867,916) |
| | | <hr/> | <hr/> |
| Gross profit | | 490,258 | 1,812,184 |
| Administrative expenses | | (26,583) | (23,859) |
| | | <hr/> | <hr/> |
| Operating profit | | 463,675 | 1,788,325 |
| Profit on sale of assets | | 194 | 49,084 |
| External interest receivable | | 34,788 | 22,655 |
| | | <hr/> | <hr/> |
| Interest payable | 4 | 498,657 - | 1,860,064 (2,501,248) |
| | | <hr/> | <hr/> |
| Profit/(loss) on ordinary activities before taxation | 3 | 498,657 | (641,184) |
| Taxation | 7 | - | 1,134,042 |
| | | <hr/> | <hr/> |
| Profit for the financial year | | <u>498,657</u> | <u>492,858</u> |

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

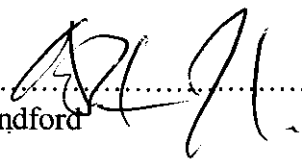
All operating profits are attributable to continuing operations.

THE NOTES ON PAGES 7 TO 15 FORM PART OF THESE ACCOUNTS

COSTAIN BUILDING & CIVIL ENGINEERING LIMITED
BALANCE SHEET
As at 31 December 2001

| | Notes | 2001 £ | 2000 £ |
|---|-------|-------------------|-------------------|
| Fixed assets | | | |
| Tangible assets | 8 | 5,433 | 11,775 |
| Investments | 9 | 30,501,450 | 30,501,450 |
| | | <u>30,506,883</u> | <u>30,513,225</u> |
| Current assets | | | |
| Debtors | | | |
| amounts falling due within one year | 10 | 6,419,916 | 16,951,830 |
| Cash at bank and in hand | 11 | 49,184,828 | 64,634,584 |
| | | <u>55,604,744</u> | <u>81,586,414</u> |
| Creditors: amounts falling due within one year | 12 | (55,184,524) | (81,671,193) |
| Net current assets/(liabilities) | | <u>420,220</u> | <u>(84,779)</u> |
| Total assets less current liabilities | | <u>30,927,103</u> | <u>30,428,446</u> |
| Creditors: amount falling due after more than one year | 13 | (5,000,000) | (5,000,000) |
| Net assets | | <u>25,927,103</u> | <u>25,428,446</u> |
| Capital and reserves | | | |
| Called up share capital | 14 | 48,461,810 | 48,461,810 |
| Profit and loss account | 15 | (22,534,707) | (23,033,364) |
| Equity shareholders' funds | 16 | <u>25,927,103</u> | <u>25,428,446</u> |

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

..........Director
A J Handford

THE NOTES ON PAGES 7 TO 15 FORM PART OF THESE ACCOUNTS

COSTAIN BUILDING & CIVIL ENGINEERING 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.

Interests in 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.

The company is exempt by virtue of S228 of the Companies Act 1985 from the requirement to prepare group accounts. The financial statements present information about the company as an individual undertaking and not about its group.

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 amounts (excluding value added tax) receivable for goods and services provided and the value of work carried out during the year on long term contracts. Turnover includes the company's share of turnover of joint arrangement contracts.

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.

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

COSTAIN BUILDING & CIVIL ENGINEERING LIMITED
NOTES TO THE ACCOUNTS continued
For the year ended 31 December 2001

1. **Accounting policies - continued**

DEPRECIATION

Depreciation is provided to write off the cost of tangible fixed assets on a straight line basis as follows:

| | Percentage per annum |
|--|-------------------------|
| Fixed plant and equipment, furniture and fittings | 10 - 33.3 |

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 BUILDING & CIVIL ENGINEERING LIMITED
NOTES TO THE ACCOUNTS continued
For the year ended 31 December 2001

2. Geographical segment information

| | Turnover | |
|---------------|-----------|-----------|
| | 2001 | 2000 |
| | £ | £ |
| Rest of world | 6,261,714 | 7,680,100 |

3. Profit on ordinary activities before taxation

| | | |
|---|---------|-----------|
| Profit on ordinary activities is stated after charging: | 2001 | 2000 |
| | £ | £ |
| Depreciation | 4,338 | 9,484 |
| Auditors' remuneration - audit fees | 21,163 | 16,436 |
| - other services | 3,721 | 9,789 |
| Exchange losses on foreign currency | 578,903 | 743,811 |
| and after crediting: | | |
| Exchange gains on foreign currency | - | 1,525,196 |

4. Interest payable and finance charges

| | 2001 | 2000 |
|---------------------------------------|------|-----------|
| | £ | £ |
| On bank loans and external overdrafts | - | 3,129 |
| On amounts due to group undertakings | - | 2,498,119 |
| | - | 2,501,248 |

COSTAIN BUILDING & CIVIL ENGINEERING LIMITED**NOTES TO THE ACCOUNTS continued****For the year ended 31 December 2001**

| 5. | Remuneration of directors | 2001 £ | 2000 £ |
|----|--|-----------|-----------|
| | Directors' emoluments | - | 94,077 |
| | The emoluments excluding pension contributions of the highest paid director | - | 66,787 |

Lump sum retirement benefits do not accrue separately.

| | Numbers of directors | |
|---|----------------------|------|
| | 2001 | 2000 |
| Retirement benefits are accruing to the following number of directors under: | | |
| Defined benefit schemes | - | 2 |

6. Staff numbers and costs

The average number of persons employed by the company during the year in the United Kingdom and overseas were nil and 8 respectively (2000: nil and 13)

In addition, the average number of staff seconded from a fellow subsidiary undertaking who worked during the year for the company in the United Kingdom was nil (2000: 3).

The aggregate payroll costs of these persons were as follows:

| | 2001 £ | 2000 £ |
|-----------------------|----------------|----------------|
| Wages & salaries | 191,163 | 368,411 |
| Social security costs | - | 9,054 |
| Pension costs | 3,395 | 24,990 |
| | <u>194,558</u> | <u>402,455</u> |

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 BUILDING & CIVIL ENGINEERING LIMITED
NOTES TO THE ACCOUNTS continued
For the year ended 31 December 2001

| | 2001 | 2000 |
|---------------------------------|---------------------|-------------------|
| | £ | £ |
| 7. Taxation | | |
| On profit for the year: | | |
| Group relief receivable | - | 1,134,042 |
| | <u> </u> | <u> </u> |
| 8. Tangible fixed assets | | |
| Operating assets | Plant and Equipment | |
| | £ | |
| Cost | | |
| At 1 January 2001 | 150,244 | |
| Disposals | (62,597) | |
| Foreign currency realignment | 4,656 | |
| | <u> </u> | |
| At 31 December 2001 | 92,303 | |
| | <u> </u> | |
| Depreciation | | |
| At 1 January 2001 | 138,469 | |
| Provisions | 4,338 | |
| Disposals | (60,210) | |
| Foreign currency realignment | 4,273 | |
| | <u> </u> | |
| At 31 December 2001 | 86,870 | |
| | <u> </u> | |
| Net book value | | |
| At 31 December 2001 | 5,433 | |
| | <u> </u> | |
| At 31 December 2000 | 11,775 | |
| | <u> </u> | |

COSTAIN BUILDING & CIVIL ENGINEERING LIMITED
NOTES TO THE ACCOUNTS continued
For the year ended 31 December 2001

9. Investments Subsidiary undertakings
£

Cost

At 1 January 2001 & 31 December 2001 40,478,060

Amounts written off

At 1 January and 31 December 2001 9,976,610

Net book value

At 31 December 2001 30,501,450

At 31 December 2000 30,501,450

Investments in subsidiary undertakings

| Subsidiary undertakings | Class of capital held and Percentage held of each class | | Country of Incorporation | Nature of Business |
|--|--|-----|-----------------------------|---|
| | Class | % | | |
| Companies registered in England and Wales. | | | | |
| Costain Ltd | Ordinary | 100 | | Civil Engineering and Construction |
| Costain Construction Limited | Ordinary | 100 | | Construction |
| Costain International Ltd | Ordinary | 100 | | Civil Engineering |
| Costain Management Design Limited | Ordinary | 100 | | Dormant |
| Westminster Plant Company Ltd | Ordinary | 100 | | Plant Hire |
| Costain Dubai LLC | Ordinary | 49 | Dubai | Construction and Civil Engineering |
| Costain Abu Dhabi Co. WLL | Ordinary | 49 | Abu Dhabi | Construction, Civil and Process Engineering |

Costain Dubai LLC and Costain Abu Dhabi Co. WLL are treated as subsidiary undertakings due to a dominant influence. All undertakings are incorporated in Great Britain and registered in England except where stated otherwise.

COSTAIN BUILDING & CIVIL ENGINEERING LIMITED
NOTES TO THE ACCOUNTS continued
For the year ended 31 December 2001

10. Debtors

| | 2001 | 2000 |
|--|-----------|------------|
| | £ | £ |
| Amounts falling due within one year: | | |
| Trade debtors | 714,835 | 874,516 |
| Amounts recoverable on long term contracts | 1,342,163 | 8,429,937 |
| Amounts owing by group undertakings | 2,157,509 | 4,519,041 |
| Group relief | - | 1,134,042 |
| Other debtors | 2,198,710 | 1,974,413 |
| Prepayments and accrued income | 6,699 | 19,881 |
| | <hr/> | <hr/> |
| | 6,419,916 | 16,951,830 |
| | <hr/> | <hr/> |

11. Cash at bank and in hand

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

12. Creditors: amounts falling due within one year

| | 2001 | 2000 |
|-------------------------------------|------------|------------|
| | £ | £ |
| Trade creditors | 3,272,135 | 1,934,044 |
| Amounts owing to group undertakings | 50,270,543 | 76,530,667 |
| Other creditors | 862,434 | 1,082,925 |
| Accruals | 779,412 | 2,123,557 |
| | <hr/> | <hr/> |
| | 55,184,524 | 81,671,193 |
| | <hr/> | <hr/> |

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

| | | |
|-------------------------------------|-----------|-----------|
| Amounts owing to group undertakings | 5,000,000 | 5,000,000 |
| | <hr/> | <hr/> |

COSTAIN BUILDING & CIVIL ENGINEERING LIMITED
NOTES TO THE ACCOUNTS continued
For the year ended 31 December 2001

14. Share capital

| | 2001 and 2000 | |
|----------------------------|-----------------------------|-----------------------------|
| | Authorised | Issued and fully paid |
| | £ | £ |
| Ordinary shares of £1 each | 52,000,000 | 48,461,810 |
| | <u> </u> | <u> </u> |

15. Reserves

| | Profit and loss account £ |
|-------------------------------|---------------------------------|
| At 1 January 2001 | (23,033,364) |
| Profit for the financial year | 498,657 |
| | <u> </u> |
| At 31 December 2001 | (22,534,707) |
| | <u> </u> |

16. Reconciliation of movements in shareholders' funds

| | 2001 £ | 2000 £ |
|-------------------------------|-----------------------------|-----------------------------|
| Profit for the financial year | 498,657 | 492,858 |
| Opening shareholders' funds | 25,428,446 | 24,935,588 |
| | <u> </u> | <u> </u> |
| Closing shareholders' funds | 25,927,103 | 25,428,446 |
| | <u> </u> | <u> </u> |

17. 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 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.

18. Related parties transactions

The company is exempt under Financial Reporting Standard 8 (FRS 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.

The company's related party transactions as defined by FRS 8 and the nature of the relationships and the amounts involved are summarised below:-

Sale of goods & services to joint arrangements:

| | |
|-------|---------|
| | £ |
| Staff | 872,396 |
| | <hr/> |

19. Joint arrangements

| | Percentage Interest | Nature of Business | Country | Accounts year end date |
|---|------------------------|-----------------------|-----------|------------------------------|
| China Harbour - Costain | 50% | Civil Engineering | Hong Kong | 31 December |
| Mitsui - Costain | 50% | Civil Engineering | Hong Kong | 31 December |
| Nishimatsu - Costain | 50% | Civil Engineering | Hong Kong | 31 December |
| Nishimatsu - Costain - China Harbour | 33.3% | Civil Engineering | Hong Kong | 31 December |
| Qatar Building Co. - Costain | 50% | Civil Engineering | Qatar | 31 December |

20. Ultimate parent company

The largest and 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, Berks. SL6 1LN.