

**COSTAIN ALCAIDESA LIMITED**

**REGISTERED NUMBER 2042076**

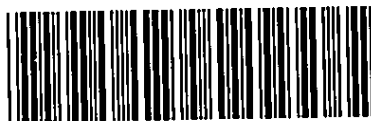
**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**31 December 2006**

KPMG Audit Plc  
Chartered Accountants  
Registered Auditor  
LONDON

**TUESDAY**



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COMPANIES HOUSE

**COSTAIN ALCAIDESA LIMITED**  
**REPORT OF THE DIRECTORS**  
**For the year ended 31 December 2006**

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**BUSINESS REVIEW**

The company continued to carry out its principal activity of investment holding  
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 06	At 31 12 06
A Wyllie *		
A O Bickerstaff (appointed 05 06 06)*		
M F Burdes	a 460	460
	b 49,275	49,275
	c 11,279	11,279
	d -	104,299
C J McCole (resigned 04 06 06)*		

- \* - The interests of the directors in the shares of Costain Group PLC are disclosed in the accounts of that company
- a - Costain Group PLC ordinary shares of 5p 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
- c - Options granted on 21 October 2004 to acquire Costain Group PLC ordinary shares under the 2004 Save As You Earn Share Option Scheme
- d - Options granted on 21 April 2006 to acquire Costain Group PLC ordinary shares under the 2006 Long Term Incentive Plan

**DISCLOSURE OF INFORMATION TO AUDITORS**

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 auditors are 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 auditors are aware of that information

**AUDITORS**

Pursuant to a shareholders' resolution, the company is not obliged to re-appoint its auditors annually and KPMG Audit Plc will therefore continue in office

BY ORDER OF THE BOARD



CLIVE L FRANKS  
SECRETARY  
25 April 2007

REGISTERED OFFICE  
Costain House, Nicholson's Walk  
Maidenhead, Berkshire SL6 1LN

**COSTAIN ALCAIDESA LIMITED**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE  
DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2006**

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The directors are responsible for preparing the 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, they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

The financial statements are required by law to 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 then apply them consistently,
- make judgments and estimates that are reasonable and prudent, and
- 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its 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

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF COSTAIN ALCAIDESA LIMITED

For the year ended 31 December 2006

We have audited the financial statements of Costain Alcaidesa Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 2.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

## Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

*KPMG Audit Plc*

KPMG Audit Plc  
Chartered Accountants  
Registered Auditor  
LONDON

*25 April 2007*  
Date

**COSTAIN ALCAIDESA LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**For the year ended 31 December 2006**

	Notes	2006 £	2005 £
Release of provision against investment in joint venture		-	3,250,000
Dividend from joint venture		3,453,219	2,655,262
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>	2	3,453,219	5,905,262
Taxation	4	-	-
		<hr/>	<hr/>
<b>Profit for the financial year</b>	9	3,453,219	5,905,262
		<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 2006**

	Notes	2006 £	2005 £
<b>Fixed assets</b>			
Investments	5	26,957,885	26,957,885
		<hr/>	<hr/>
<b>Current assets</b>			
Debtors	6	7,999,556	10,649,269
<b>Creditors: amounts falling due within one year</b>	7	-	(102,932)
		<hr/>	<hr/>
<b>Net current assets</b>		7,999,556	10,546,337
		<hr/>	<hr/>
<b>Net assets</b>		34,957,441	37,504,222
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called up share capital	8	32,500,000	32,500,000
Profit and loss account	9	2,457,441	5,004,222
		<hr/>	<hr/>
<b>Equity shareholders' funds</b>	10	34,957,441	37,504,222
		<hr/>	<hr/>

The financial statements were approved by the Board of Directors on 25 April 2007 and were signed on its behalf by

A Wyllie



Director

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 2006**

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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

**TAXATION**

Deferred taxation has been recognised as a liability or asset, except as otherwise required by FRS 19 'Deferred Tax', 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**

No emoluments were paid to the directors of the company during the year (2005: £nil)  
There were no staff employed during the year (2005: nil)

**3. Auditors' remuneration**

	2006	2005
	£	£
Fees for the audit of the company	1,000	1,000
	<hr/>	<hr/>

There are no fees paid to KPMG Audit Plc for services other than the statutory audit of the company. The audit fee was borne by another group company.

**COSTAIN ALCAIDESA LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS continued**  
**For the year ended 31 December 2006**

**4. Taxation**

	2006 £	2005 £
On profit for the year		
UK corporation tax at 30%	-	-
	<hr/>	<hr/>
Tax on profit on ordinary activities	-	-
	<hr/>	<hr/>
	2006 £	2005 £
Tax reconciliation		
Profit on ordinary activities before taxation	3,453,219	5,905,262
	<hr/>	<hr/>
Tax at 30%	(1,035,966)	(1,771,579)
Underlying overseas taxation on dividend income	1,035,966	796,579
Release of disallowed provision	-	975,000
	<hr/>	<hr/>
Total current tax	-	-
	<hr/>	<hr/>

**5. Investments**

Joint Venture  
£

**Cost and net book value**

At 1 January and 31 December 2006

26,957,885

**Investment in joint ventures**

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 was £51.6m (2005 £57.8m). The joint venture undertaking made a profit during the year of £7.8m (2005 £17.0m)



**COSTAIN ALCAIDESA LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS continued**  
**For the year ended 31 December 2006**

**6. Debtors**

	2006 £	2005 £
Amounts owing by fellow subsidiary undertakings	7,999,556	7,994,007
Dividend owed by joint venture	-	2,655,262
	<u>7,999,556</u>	<u>10,649,269</u>

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

	2006 £	2005 £
Amounts owing to fellow subsidiary undertakings	-	102,932
	<u>-</u>	<u>102,932</u>

**8. Share capital**

	2006 and 2005	
	Authorised	Issued and fully paid
	£	£
Ordinary shares of £1 each	35,000,000	32,500,000
	<u>35,000,000</u>	<u>32,500,000</u>

**9. Profit and loss account**

	£
Surplus at 1 January 2006	5,004,222
Profit for the financial year	3,453,219
Dividends paid	<u>(6,000,000)</u>
Surplus at 31 December 2006	<u>2,457,441</u>

**COSTAIN ALCAIDESA LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS continued**  
**For the year ended 31 December 2006**

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

	2006 £	2005 £
Opening shareholders' funds	37,504,222	31,598,960
(Loss)/profit for the financial year	3,453,219	5,905,262
Dividends paid	(6,000,000)	-
Closing shareholders' funds	34,957,441	37,504,222

**11. 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 2006, these liabilities amounted to £1 0m (2005 £nil)

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

**12. 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

**13. Ultimate parent undertaking**

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, Nicholsons Walk, Maidenhead, Berkshire SL6 1LN