

COSTAIN ALCAIDESA LIMITED

REGISTERED NUMBER 2042076

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 December 2001

KPMG Audit Plc
Chartered Accountants
Registered Auditor
GATWICK



COSTAIN ALCAIDESA LIMITED

REPORT OF THE DIRECTORS

For the year ended 31 December 2001

BUSINESS REVIEW

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

During the year, Alcaidesa Holding SA repaid the loan from the company. The provision against the investment in Alcaidesa Holding SA was reduced by £4.5m (2000: £1.9m).

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:

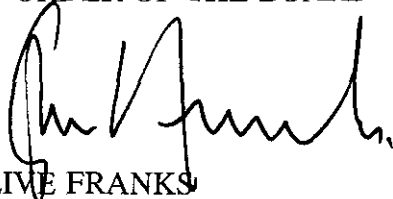
		At 01.01.01	At 31.12.01
S J Doughty*†	(appointed 01.07.01)		
M F Burdes	a	460	460
J A Armitt*	(resigned 30.06.01)		
M W Roberts*	(resigned 31.12.01)		

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

* - The interests of 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
26 March 2002

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 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.

INDEPENDENT AUDITORS REPORT TO THE MEMBERS

For the year ended 31 December 2001

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

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

KPN6 Andrew Ph
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KPMG Audit Plc
Chartered Accountants
Registered Auditor
GATWICK

26 April 2002
.....
Date

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

	Notes	2001 £	2000 £
Release of provision against investment in joint venture		4,500,000	1,928,663
Exchange loss		(40,849)	(2,804)
Profit on ordinary activities before taxation		4,459,151	1,925,859
Taxation		-	-
Profit for the financial year	7	4,459,151	1,925,859

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

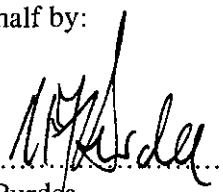
COSTAIN ALCAIDESA LIMITED

BALANCE SHEET

As at 31 December 2001

	Notes	2001 £	2000 £
Fixed assets			
Investments	3	7,324,071	5,428,002
		<hr/>	<hr/>
Creditors: amounts falling due within one year	4	(2,738,586)	(5,301,668)
		<hr/>	<hr/>
Net current liabilities		(2,738,586)	(5,301,668)
		<hr/>	<hr/>
Net assets		4,585,485	126,334
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	5	32,500,000	32,500,000
Profit and loss account	6	(27,914,515)	(32,373,666)
		<hr/>	<hr/>
Equity shareholders' funds	7	4,585,485	126,334
		<hr/>	<hr/>

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


..... Director
M F Burdes

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

NOTES TO THE FINANCIAL STATEMENTS

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.

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 (2000: £nil). There were no staff employed during the year (2000: nil).

• **COSTAIN ALCAIDESA LIMITED**

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 December 2001

3. Investments	Loans to Joint Venture	Joint Venture	Total
	£	£	£
Cost			
At 1 January 2001	2,604,482	33,323,520	35,928,002
Currency realignment	(40,632)	-	(40,632)
(Disposals)/additions	(2,563,850)	551	(2,563,299)
At 31 December 2001	-	33,324,071	33,324,071
Provisions			
At 1 January 2001	-	(30,500,000)	(30,500,000)
Released in year	-	4,500,000	4,500,000
At 31 December 2001	-	(26,000,000)	(26,000,000)
Net book value			
At 31 December 2001	-	7,324,071	7,324,071
At 31 December 2000	2,604,482	2,823,520	5,428,002
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 is £19.6m (2000: £16.5m). The directors believe that this amount is not all recoverable. The joint venture undertaking made a profit during the year of £3.6m (2000: £1.5m).

• **COSTAIN ALCAIDESA LIMITED**

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 December 2001

4. Creditors: amounts falling due within one year

	2001 £	2000 £
Amounts owed to group undertakings	2,738,586	5,280,841
Taxation	-	20,827
	<u>2,738,586</u>	<u>5,301,668</u>

5. Share capital

	2001 and 2000 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>

6. Profit and loss account

	£
Deficit at 1 January 2001	(32,373,666)
Profit for the financial year	4,459,151
	<u>4,459,151</u>
Deficit at 31 December 2001	(27,914,515)
	<u>(27,914,515)</u>

7. Reconciliation of movement in shareholders' funds

	2001 £	2000 £
Profit for the financial year	4,459,151	1,925,859
Opening shareholders' funds/deficit	126,334	(1,799,525)
	<u>4,585,485</u>	<u>126,334</u>
Closing shareholders' funds	4,585,485	126,334
	<u>4,585,485</u>	<u>126,334</u>

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 December 2001

8. 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.

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.

9. 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.

10. 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.