

COSTAIN ALCAIDESA LIMITED

Registered Number: 2042076

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 December 1999

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



**A39
COMPANIES HOUSE**

A96878D1

**0663
21/07/00**

COSTAIN ALCAIDESA LIMITED

REPORT OF THE DIRECTORS

For the year ended 31 December 1999

BUSINESS REVIEW

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

During the year a further £235,989 was invested in Alcaidesa Holding SA whilst a further £158,663 was provided against the investment in that company.

The results for the year are set out in the Profit & Loss Account on page 4.

YEAR 2000

The Company took part in the Costain Group Year 2000 Project. A programme was implemented under the Project to ensure Year 2000 compliance for all software, hardware and embedded systems in use within the Costain Group. This programme was successfully concluded prior to the 31 December 1999 and in consequence the Company did not experience any disruption of its business.

The incremental costs of achieving Year 2000 compliance in respect of the Group's software and hardware was absorbed by the Group's Policy of continuous updating of software and hardware. The cost of additional resources directed specifically to the Year 2000 Project was absorbed within Group overheads.

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 1.1.99 | At 31.12.99 |
|---------------|--------------|----------------|
| J A Armitt* | | |
| J R Campbell* | | |
| M F Burdes | a 460 | 460 |

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.

COSTAIN ALCAIDESA LIMITED

REPORT OF THE DIRECTORS

For the year ended 31 December 1999

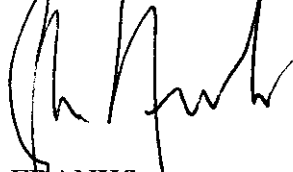
STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 and loss of the company 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

BY ORDER OF THE BOARD



C L FRANKS
SECRETARY

REGISTERED OFFICE

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

Date: 30 March 2000

COSTAIN ALCAIDESA LIMITED

REPORT OF THE AUDITORS TO THE MEMBERS

For the year ended 31 December 1999

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. 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 1999 and of its loss 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

..... *30 March 2000*
Date

COSTAIN ALCAIDESA LIMITED**PROFIT AND LOSS ACCOUNT****For the year ended 31 December 1999**

| | Notes | 1999 £ | 1998 £ |
|--|-------|-------------|-------------|
| Provision against investment in joint venture | | (158,663) | (494,100) |
| Interest receivable and similar income | 2 | (133,684) | (31,918) |
| Interest payable and similar charges | 3 | - | (20,157) |
| | | <hr/> | <hr/> |
| Loss on ordinary activities before taxation | | (292,347) | (546,175) |
| Taxation | 5 | (20,827) | 16,143 |
| | | <hr/> | <hr/> |
| Loss for the financial year | 10 | (313,174) | (530,032) |
| | | <hr/> <hr/> | <hr/> <hr/> |

There were no recognised gains or losses other than the loss for the year.

All operating losses 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 1999**

| | Notes | 1999 £ | 1998 £ |
|---|-------|--------------|--------------|
| Fixed assets | | | |
| Investments | 6 | 3,495,014 | 3,620,228 |
| Current assets | | | |
| Debtors | 7 | - | 16,143 |
| Creditors: amounts falling due within one year | 8 | (5,294,539) | (5,122,722) |
| Net current liabilities | | (5,294,539) | (5,106,579) |
| Net liabilities | | (1,799,525) | (1,486,351) |
| Capital and reserves | | | |
| Called up share capital | 9 | 32,500,000 | 32,500,000 |
| Profit and loss account | 10 | (34,299,525) | (33,986,351) |
| Equity shareholders' deficit | 11 | (1,799,525) | (1,486,351) |

The financial statements were approved by the Board of Directors on 30 March 2000 and were signed on its behalf by:



..... Director
J R Campbell

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

NOTES TO THE FINANCIAL STATEMENTS**31 December 1999**

1. Accounting policies**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

As the cash flow statement in the consolidated financial statements of the ultimate parent company, Costain Group PLC, complies with the conditions of Financial Reporting Standard No 1 (Revised) ("FRS 1 (Revised)"), the company is exempt under FRS 1 (Revised) from the requirements to prepare a separate cash flow statement.

| | 1999 | 1998 |
|---|-------------|-------------|
| | £ | £ |
| 2. Interest receivable and similar income | | |
| Exchange loss | (133,684) | (31,918) |
| | <hr/> | <hr/> |
| | 1999 | 1998 |
| | £ | £ |
| 3. Interest payable and similar charges | | |
| On amounts due to fellow subsidiary undertakings | - | (20,157) |
| | <hr/> | <hr/> |
| 4. Staff costs and remuneration of directors | | |

No emoluments were paid to the directors of the company during the year (1998: £nil).
There were no staff employed during the year (1998: nil).

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 1999

5. Taxation

| | 1999 | 1998 |
|-----------------------|-----------------|---------------|
| | £ | £ |
| On loss for the year: | | |
| Corporation tax | (20,827) | - |
| Group relief | - | 16,143 |
| | <u>(20,827)</u> | <u>16,143</u> |

6. Investments

| | Loans to Joint Venture | Joint Venture | Total |
|-----------------------|-----------------------------------|----------------------|---------------------|
| | £ | £ | £ |
| Cost | | | |
| At 1 January 1999 | 2,566,708 | 33,323,520 | 35,890,228 |
| Currency realignment | (202,540) | - | (202,540) |
| Additions | - | 235,989 | 235,989 |
| | <u>2,364,168</u> | <u>33,559,509</u> | <u>35,923,677</u> |
| Provisions | | | |
| At 1 January 1999 | - | (32,270,000) | (32,270,000) |
| Provided in year | - | (158,663) | (158,663) |
| | <u>-</u> | <u>(32,428,663)</u> | <u>(32,428,663)</u> |
| Net book value | | | |
| At 31 December 1999 | <u>2,364,168</u> | <u>1,130,846</u> | <u>3,495,014</u> |
| At 31 December 1998 | <u>2,566,708</u> | <u>1,053,520</u> | <u>3,620,228</u> |

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 £15.9m (1998: £18.1m). The directors believe that this amount is not recoverable. The joint venture undertaking made a profit during the year of £0.1m (1998: £0.8m loss).

COSTAIN ALCAIDESA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 1999

7. Debtors

| | 1999 | 1998 |
|--------------|-------------|---------------|
| | £ | £ |
| Group relief | - | 16,143 |
| | <u>-</u> | <u>16,143</u> |

8. Creditors: amounts falling due within one year

| | 1999 | 1998 |
|-------------------------------------|------------------|------------------|
| | £ | £ |
| Amounts owing to Group undertakings | 5,273,712 | 5,122,722 |
| Taxation | 20,827 | - |
| | <u>5,294,539</u> | <u>5,122,722</u> |

9. Share capital

| | 1999 | | 1998 | |
|---|-------------------|-------------------|-------------------|-------------------|
| | Authorised | Issued | Authorised | Issued |
| | £ | £ | £ | £ |
| Ordinary shares of £1 each, called up and fully paid | 35,000,000 | 32,500,000 | 35,000,000 | 32,500,000 |
| | <u>35,000,000</u> | <u>32,500,000</u> | <u>35,000,000</u> | <u>32,500,000</u> |

10. Profit and loss account

| | £ |
|-----------------------------|---------------------|
| Deficit at 1 January 1999 | (33,986,351) |
| Loss for the year | (313,174) |
| | <u>(34,299,525)</u> |
| Deficit at 31 December 1999 | <u>(34,299,525)</u> |

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 1999

| 11. Reconciliation of movement in shareholders' funds | 1999 | 1998 |
|--|-------------|-------------|
| | £ | £ |
| Loss for the financial year | (313,174) | (530,032) |
| Opening shareholders' funds | (1,486,351) | (956,319) |
| | <hr/> | <hr/> |
| Closing shareholders' funds | (1,799,525) | (1,486,351) |
| | <hr/> | <hr/> |

12. 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. These facilities are included in the group financial statements of the ultimate parent company and amount to £10.7m (1998 £12.9m).

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

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

13. Ultimate parent company

The company's ultimate parent company is Costain Group PLC, a company registered in England and Wales. A copy of the consolidated financial statements of Costain Group PLC may be obtained from the registered office of Costain Group PLC, Costain House, Nicholson's Walk, Maidenhead, Berkshire. SL6 1LN.

14. Related parties transactions

The company is exempt under Financial Reporting Standard No 8 (FRS 8) from the requirements to disclose related party transactions on the basis that it is a wholly owned subsidiary of the ultimate parent company, Costain Group PLC.