

**COSTAIN ENGINEERING & CONSTRUCTION LIMITED**

**REGISTERED NUMBER 2440829**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**31 DECEMBER 2003**



KPMG Audit Plc  
Chartered Accountants  
Registered Auditor  
GATWICK

**COSTAIN ENGINEERING & CONSTRUCTION LIMITED**  
**REPORT OF THE DIRECTORS**  
**For the year ended 31 December 2003**

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**BUSINESS REVIEW**

The company is an investment company and a holding company for Costain Group's engineering and construction operations.

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, according to in the register of directors' interests were as follows:

		At 01.01.03	At 31.12.03
S Doughty*			
C J McCole*			
A J Handford	a	374	374
	b	135,618	135,618
	c	9,450	9,450
P R Adams	(resigned 31.08.03)		

- a - Costain Group PLC ordinary shares of 10p each.
- b - Options granted on 11 October 2002 to acquire Costain Group PLC ordinary shares under the 2002 Long Term Incentive Plan.
- c - 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 these directors in the shares of Costain Group PLC are disclosed in the accounts of that company.

**EMPLOYMENT OF DISABLED PERSONS**

It is the company's policy to give full and fair consideration to applications for employment made by disabled persons, to continue wherever possible the employment of and to arrange appropriate training for those who become disabled and to provide equal opportunities for the training and career development of disabled employees.

**EMPLOYEE INVOLVEMENT**

The Costain Group provides information to its employees both of a general company nature and to encourage awareness of financial and economic factors which affect the company in various ways. These include a house newspaper, information via our electronic mail system, circulation of press releases, management briefings on company results, a report to employees on the annual accounts of the Group and annual pension scheme reports. Participation and involvement are encouraged through regular management meetings with employees.

**CREDITOR PAYMENT POLICY AND PRACTICE**

As a result of the nature of the company's businesses, the contractual relationships with suppliers of goods and services and with subcontractors vary according to circumstances. It is the company's policy to enter into any 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. There are no trade creditors shown in the balance sheet at the end of the financial year (2002: none).

BY ORDER OF THE BOARD



CLIVE L. FRANKS  
SECRETARY

16 March 2004

**REGISTERED OFFICE**

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

**COSTAIN ENGINEERING & CONSTRUCTION LIMITED**  
**DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE PREPARATION OF**  
**FINANCIAL STATEMENTS**  
**For the year ended 31 December 2003**

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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 ENGINEERING & CONSTRUCTION LIMITED**  
**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS**  
**For the year ended 31 December 2003**

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We have audited the financial statements on pages 5 to 18.

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 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 2003 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

16 March 2004  
Date

**COSTAIN ENGINEERING & CONSTRUCTION LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
For the year ended 31 December 2003

	Notes	2003	2002
		£000's	£000's
Turnover	1	4,295	3,222
Cost of sales		(8,016)	(2,915)
<b>Gross (loss)/profit</b>		<b>(3,721)</b>	<b>307</b>
Income from shares in participating interests		256	226
<b>Operating (loss)/profit</b>		<b>(3,465)</b>	<b>533</b>
Interest receivable - external		593	135
Other finance (charges)/income	5	(834)	1,900
Interest payable - on amounts due to fellow subsidiary undertakings		(779)	(834)
<b>(Loss)/profit on ordinary activities before taxation</b>	2	<b>(4,485)</b>	<b>1,734</b>
Taxation	6	(488)	(776)
<b>(Loss)/profit for the financial year</b>	15	<b>(4,973)</b>	<b>958</b>


All operating profits and losses are attributable to continuing operations.

THE NOTES ON PAGES 8 TO 18 FORM PART OF THESE FINANCIAL STATEMENTS

**COSTAIN ENGINEERING & CONSTRUCTION LIMITED**  
**BALANCE SHEET**  
As at 31 December 2003

	Notes	2003	2002
		£000's	£000's
<b>Fixed assets</b>			
Investments	7	95,801	103,756
		<hr/>	<hr/>
<b>Current assets</b>			
Debtors	8	29,192	25,029
<b>Creditors: amounts falling due within one year</b>	10	(104,019)	(101,803)
		<hr/>	<hr/>
<b>Net current liabilities</b>		(74,827)	(76,774)
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		20,974	26,982
<b>Provisions for liabilities and charges</b>	11	(1,246)	(1,896)
		<hr/>	<hr/>
<b>Net assets excluding pension liability</b>		19,728	25,086
<b>Pension liability</b>	12	(54,476)	(24,094)
		<hr/>	<hr/>
<b>Net (liability)/assets including pension liability</b>		(34,748)	992
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called up share capital	13	41,204	41,204
Share premium account	14	19,804	19,804
Other reserves	14	12,425	12,425
Profit and loss account	14	(108,181)	(72,441)
		<hr/>	<hr/>
<b>Equity shareholders (deficit)/funds</b>	15	(34,748)	992
		<hr/>	<hr/>

The financial statements were approved by the Board of Directors on 16 March 2004 and were signed on its behalf by:

  
.....Director  
C J McCole

THE NOTES ON PAGES 8 TO 18 FORM PART OF THESE FINANCIAL STATEMENTS

**COSTAIN ENGINEERING & CONSTRUCTION LIMITED**  
**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**For the year ended 31 December 2003**

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	2003	2002
	£000's	£000's
(Loss)/profit for the financial year	(4,973)	958
Actuarial loss recognised in the pension scheme	(43,953)	(50,079)
Deferred tax arising thereon	13,186	15,024
	<hr/>	<hr/>
	(35,740)	(34,097)
	<hr/>	<hr/>

Historical cost profit is not materially different from reported profit.



**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.

The financial statements present information about the company as an individual undertaking and not about its Group. The company is exempt from preparing group accounts (under section 228 of the Companies Act 1985) as it is included in the consolidated accounts of its ultimate parent company.

**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 rental income and services provided.

**TAXATION**

Deferred taxation has been recognised as 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.

**INTEREST PAYABLE**

Interest is normally written off to the profit and loss account as it is incurred.

**FOREIGN CURRENCY TRANSACTIONS**

Exchange differences on transactions completed in the ordinary course of business are dealt with in profit on ordinary activities.

**LEASED ASSETS**

The annual rentals in respect of operating leases are charged to the profit and loss account.

**1. Accounting policies - continued**

**PENSIONS**

The Company operates a pension scheme providing benefits based on final pensionable salary for employees of Costain Group PLC and its subsidiaries. The assets of the scheme are held separately from those of the Company.

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The increase in the present value of the liabilities of the Costain Group defined benefit pension scheme expected to arise from employee service in the period is charged to the operating profit. The expected return on the scheme's assets and the increase during the period in the present value of the schemes liabilities arising from the passage of time are included in the other finance charges/income. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

**2. Profit on ordinary activities before taxation**

	2003	2002
	£000's	£000's
Profit on ordinary activities is stated after charging:		
Car leasing costs	2,822	2,639
Staff costs (note 3)	63,260	55,821

The auditor's remuneration was borne by another group company.

**3. Staff costs**

	2003	2002
	£000's	£000's
Wages and salaries	54,247	47,845
Social security costs	4,687	3,828
Pension costs	4,326	4,148
	<hr/>	<hr/>
Total payroll costs	63,260	55,821
	<hr/>	<hr/>

The average number of persons employed by the company during the year in the United Kingdom was 1,316 (Administrative: 319 Operational: 997) (2002: 1,175). All staff were seconded to fellow subsidiaries and their costs charged.

**COSTAIN ENGINEERING & CONSTRUCTION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS continued**  
For the year ended 31 December 2003

**4. Remuneration of directors**

No emoluments were paid to the directors of the company during the year (2002: £nil)

**5. Other finance (charges)/income**

	2003 £000's	2002 £000's
Expected return on pension scheme assets	16,986	20,600
Interest on pension scheme liabilities	(17,820)	(18,700)
	<hr/>	<hr/>
Net return	(834)	1,900
	<hr/>	<hr/>

**6. Taxation**

	2003 £000's	2002 £000's
On (loss)/profit for the year		
UK corporation tax at 30%	(323)	(116)
UK deferred tax	(165)	(660)
	<hr/>	<hr/>
	(488)	(776)
	<hr/>	<hr/>
Tax reconciliation:	2003 £000's	2002 £000's
(Loss)/profit on ordinary activities before taxation	(4,485)	1,734
	<hr/>	<hr/>
Tax at 30%	1,345	(520)
Group income	77	68
Sundry disallowed expenditure	(75)	(77)
Pension timing differences	165	660
Other timing differences	495	(614)
Group relief claimed free of charge	70	367
Provisions against investment in subsidiaries	(2,400)	-
	<hr/>	<hr/>
Total current tax	(323)	(116)
	<hr/>	<hr/>
The elements of deferred taxation are as follow:	2003 £000's	2002 £000's
Deferred tax asset on pension liability	23,347	10,326
	<hr/>	<hr/>

**COSTAIN ENGINEERING & CONSTRUCTION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS continued**  
For the year ended 31 December 2003

**6. Taxation - continued**

The movements in the deferred taxation balance were as follow:

	£000's
Asset at the beginning of the year	10,326
Amount charged to the profit and loss account	(165)
Amount credited to the statement of recognised gains and losses	13,186
	<hr/>
Asset at the end of the year	23,347
	<hr/>

There are other deferred tax assets that have not been recognised on the basis that their future economic benefit is not assured as at the balance sheet date.

**7. Investments**

	Subsidiary undertakings	Other investments	Investments in joint ventures	Loans to joint ventures	Other loans	Total
	£000's	£000's	£000's	£000's	£000's	£000's
<b>Cost</b>						
At 1 January 2003	137,376	350	50	2,778	1,015	141,569
Additions	-	-	65	463	-	528
Disposals	-	-	-	(463)	(20)	(483)
At 31 December 2003	<hr/> 137,376 <hr/>	<hr/> 350 <hr/>	<hr/> 115 <hr/>	<hr/> 2,778 <hr/>	<hr/> 995 <hr/>	<hr/> 141,614 <hr/>
<b>Provisions</b>						
At 1 January 2003	36,340	300	-	1,173	-	37,813
Provided in year	8,000	-	-	-	-	8,000
At 31 December 2003	<hr/> 44,340 <hr/>	<hr/> 300 <hr/>	<hr/> - <hr/>	<hr/> 1,173 <hr/>	<hr/> - <hr/>	<hr/> 45,813 <hr/>
<b>Net Book Value</b>						
At 31 December 2003	<hr/> 93,036 <hr/>	<hr/> 50 <hr/>	<hr/> 115 <hr/>	<hr/> 1,605 <hr/>	<hr/> 995 <hr/>	<hr/> 95,801 <hr/>
At 31 December 2002	<hr/> 101,036 <hr/>	<hr/> 50 <hr/>	<hr/> 50 <hr/>	<hr/> 1,605 <hr/>	<hr/> 1,015 <hr/>	<hr/> 103,756 <hr/>

Details of subsidiary undertakings and joint ventures are shown in note 20.

**COSTAIN ENGINEERING & CONSTRUCTION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS continued**  
For the year ended 31 December 2003

**8. Debtors**

	2003 £000's	2002 £000's
Amounts falling due within one year:		
Amounts owing by parent and fellow subsidiary undertakings	27,814	23,220
Other debtors	1,378	1,809
	<u>29,192</u>	<u>25,029</u>

**9. Cash at bank**

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

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

	2003 £000's	2002 £000's
Amounts owing to parent and fellow subsidiary undertakings	95,453	94,617
Social security	3,256	1,366
Taxation	323	116
Other creditors	4,965	5,697
Accruals and deferred income	22	7
	<u>104,019</u>	<u>101,803</u>

**11. Provision for liabilities and charges**

	At beginning of year £000's	Provided £000's	Released £000's	At end of year £000's
Other provisions	1,896	150	(800)	1,246
	<u>1,896</u>	<u>150</u>	<u>(800)</u>	<u>1,246</u>

Other provisions relate to litigation provisions and costs of vacant property. The provisions are expected to be utilised over the next two years.

**COSTAIN ENGINEERING & CONSTRUCTION LIMITED**  
**NOTES ON THE FINANCIAL STATEMENTS continued**  
For the year ended 31 December 2003

**12. Pensions**

The company operates a defined benefit pension scheme in the United Kingdom under which contributions are paid by the company and employees.

A full actuarial valuation of the scheme was carried out at 31 March 2003 and was updated to 31 December 2003 by a qualified independent actuary. The major assumptions used by the actuary were (in nominal terms):

	31.12.2003	31.12.2002	31.12.2001
Rate of increase in pensionable salaries	2.8%	2.3%	4.0%
Rate of increase in pensions in payment	2.8%	2.3%	2.5%
Rate of increase in pensions in deferment	2.8%	2.3%	2.5%
Discount rate	5.4%	5.6%	6.0%
Inflation assumption	2.8%	2.3%	2.5%

The assumptions used by the actuary are best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus are inherently uncertain, were:

	31.12.2003	31.12.2003	31.12.2002	31.12.2002	31.12.2001	31.12.2001
		£m		£m		£m
Equities	7.2%	215.2	6.9%	180.7	7.2%	206.4
Bonds	4.6%	107.1	4.5%	106.9	4.9%	123.8
Total market value of assets		322.3		287.6		330.2
Actuarial value of liability		(400.1)		(322.0)		(316.7)
(Deficit)/surplus in the scheme		(77.8)		(34.4)		13.5
Related deferred tax liability		23.3		10.3		(4.0)
Net pension (liability)/asset		(54.5)		(24.1)		9.5

**Analysis of amount charged to operating profit**

	2003	2002
	£m	£m
Current service cost	4.3	4.1

**12. Pensions - continued**

**Analysis of net return**

An analysis of the net return on the scheme can be seen in Note 5.

**Analysis of amount recognised in statement of total recognised gains and losses (STRGL)**

	2003	2002
	£m	£m
Actual return less expected return on assets	24.0	(54.9)
Experience (loss)/gain on liabilities	(21.2)	1.8
Changes in assumptions	(46.8)	3.1
Actuarial loss recognised	<u>(44.0)</u>	<u>(50.1)</u>

**Movement in surplus during the year**

	2003	2002
	£m	£m
(Deficit)/surplus in scheme at beginning of year	(34.4)	13.5
Movement in year (current service cost)	(4.3)	(4.1)
Contributions	5.7	4.4
Net return on assets	(0.8)	1.9
Actuarial loss	(44.0)	(50.1)
Deficit in scheme at end of year	<u>(77.8)</u>	<u>(34.4)</u>

The estimated actuarial valuation at 31 December 2003 showed a deficit of £77.8 million. The service cost has been calculated using a projected unit method. The employer contributed 11.6% of member's pensionable salaries to the scheme up until 1 April 2003, and 13.6% thereafter. It was decided as part of the full actuarial valuation carried out at 31 March 2003 that the employer would contribute 15.6% of member's pensionable salaries from 1 April 2004.

**History of experience gains and losses**

	Financial year ended				
	2003	2002	2001	2000	1999
	£m	£m	£m	£m	£m
Difference between expected and actual return on scheme assets:					
amount (£000s)	24.0	(54.9)	(44.5)	(10.8)	31.8
Percentage of scheme assets	7%	(19%)	(13%)	(3%)	9%
Experience (loss)/gain on scheme liabilities					
amount (£000s)	(21.2)	1.8	-	(3.1)	(0.1)
Percentage of scheme assets	(5%)	1%	-	(1%)	-
Total amount recognised in STRGL:					
amount (£000s)	(44.0)	(50.1)	(39.5)	(10.7)	33.5
percentage of scheme assets	(11%)	(16%)	(12%)	(3%)	11%

**COSTAIN ENGINEERING & CONSTRUCTION LIMITED**  
**NOTES ON THE FINANCIAL STATEMENTS continued**  
For the year ended 31 December 2003

**13. Share capital**

	2003 and 2002	
	Authorised	Issued and fully paid
	£000's	£000's
Ordinary shares of £1 each	50,000	41,204

**14. Reserves**

	Share premium account £000's	Other reserves £000's	Profit and loss account £000's
At 1 January 2003	19,804	12,425	(72,441)
Loss for the year	-	-	(4,973)
Actuarial loss recognised	-	-	(43,953)
Deferred tax	-	-	13,186
At 31 December 2003	19,804	12,425	(108,181)

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

	2003 £000's	2002 £000's
Opening shareholders' funds	992	35,089
Profit for the financial year	(4,973)	958
Other recognised gains and losses	(30,767)	(35,055)
Closing shareholders' (deficit)/funds	(34,748)	992

**16. Other financial commitments**

Annual commitments under non-cancellable operating leases comprise:

	Land and buildings		Other	
	2003 £000's	2002 £000's	2003 £000's	2002 £000's
Leases expiring				
- within one year	61	-	412	765
- between one and two years	315	76	1,592	875
- between two and five years	-	337	2,560	929
- after five years	2,488	2,488	-	-
	<u>2,864</u>	<u>2,901</u>	<u>4,564</u>	<u>2,569</u>



**17. 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 2003 these liabilities amounted to £nil (2002 : £0.2m) 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 No. 8 (FRS 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.

**19. Ultimate parent company**

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, Nicholson's Walk, Maidenhead, Berks. SL6 1LN.

**20. Investments in subsidiary undertakings and participating interests**

Subsidiary undertakings	Percentage of equity capital held by		Nature of business	Country of Incorporation
	The Company	Subsidiary Undertakings		
CLM Engineering Ltd	100		Marine Contracting	
CLM Engineering (Overseas) Ltd	100		Marine Contracting	
Costain Abu Dhabi Co WLL		49*	Process Contracting	UAE
Costain (Africa) Ltd		100	Construction	Zimbabwe
Costain Building Products Ltd	100		Concrete Production	
Costain Building & Civil Engineering Ltd	100		Construction & Civil Eng.	
Costain Ltd		100	Construction & Civil Eng.	
Costain Construction Ltd		100	Construction	
Costain Construction (Botswana) Pty Ltd		100	Construction	Botswana
Costain de Venezuela C.A.		100	Dormant	Venezuela
Costain Dubai LLC		49*	Construction	UAE
Costain Engineering Ltd		100	Dormant	
Costain Engineering & Construction (Overseas) Ltd	100		Holding Company	
Costain Environmental Services Ltd	100		Process Contracting	
Costain Interiors Ltd		100	Dormant	

**COSTAIN ENGINEERING & CONSTRUCTION LIMITED**  
**NOTES ON THE FINANCIAL STATEMENTS continued**  
**For the year ended 31 December 2003**

**20. Investments in subsidiary undertakings and participating interests - continued**

Subsidiary undertakings	Percentage of equity capital held by		Nature of business	Country of incorporation
	The company	Subsidiary Undertakings		
Costain Holdings (Botswana) Pty Ltd		100	Holding Co.	Botswana
Costain Holdings (Malaysia) Sdn Bhd		100	Holding Co.	Malaysia
Costain Holdings Zimbabwe (Pvt) Ltd		100	Holding Co.	Zimbabwe
Costain Housing Zimbabwe (Pvt) Ltd		100	Construction	Zimbabwe
Costain International Ltd		100	Construction	
Costain (Malaysia) Sdn Bhd		100	Construction	Malaysia
Costain Management Design Ltd		100	Dormant	
Costain Mining Zimbabwe (Pvt) Ltd		100	Dormant	Zimbabwe
Costain Oil, Gas & Process (Nigeria) Ltd		75	Process Contracting	Nigeria
Costain Oil, Gas & Process (Overseas) Ltd		100	Process Contracting	
Costain Oil, Gas & Process (Malaysia) Sdn Bhd		100	Process Contracting	Malaysia
Costain, Oil, Gas & Process Ltd	100		Process Contracting	
Costain Polska Sp. z o.o		100	Construction	Poland
Costain Process Construction Ltd	100		Engineering	
Costain Properties Zimbabwe (Pvt) Ltd		100	Dormant	Zimbabwe
Costain Zimbabwe (Pvt) Ltd		85	Construction & Civil Engineering	Zimbabwe
Land & Marine Eng (India) Ltd		100	Dormant	India
Costain Trade & Services Ltd (formerly LME Petroscope Ltd)		100	Dormant	
National Road Operators Ltd	100		Civil Engineering	
The E J Cook SCD Partnership Ltd	100		Property	
Westminster Land & Marine Pipelines Ltd		100	Dormant	Canada
Westminster Plant Co Ltd		100	Plant Hire	
Yahya Costain LLC		49*	Construction	Oman

**COSTAIN ENGINEERING & CONSTRUCTION LIMITED**  
**NOTES ON THE FINANCIAL STATEMENTS continued**  
For the year ended 31 December 2003

**20. Investments in subsidiary undertakings and joint ventures - continued**

	Issued Share capital (£m)	Percentage of Equity held	Nature of Business	Country of incorporation
<b>Joint ventures</b>				
Budimex & Costain Sp. z.o.o	-	50(a)	Construction	Poland
Costain Petrofac Ltd	0.1	50(a)	Process Engineering	
LNHC Ltd (formerly Hopewell Costain Ltd)	0.4	50(a)	Dormant	Hong Kong
HpC King's College Hospital (Holdings) Ltd	0.2	33.3	Construction and operation of hospital	
Integrated Care Solutions (East Kent) Holdings Ltd	0.1	50	Construction and operation of care homes	
Jalal Costain WLL	0.1	49(a)	Construction	Bahrain
Nesma-Costain Process Company Ltd	1.0	50(a)	Process Contracting	Saudi Arabia
Samols Rowson Ltd	0.3	50	Investment Company	
Sirhowy Enterprise Way (Holdings) Ltd	-	50	Construction and operation of toll road	
Stratus Integrated Services Ltd	-	25(a)	Controller of operation of Meteorological Office	

\* Treated as a subsidiary due to dominant influence.

(a) Investments held by subsidiary companies

All holdings are ordinary shares and all companies are incorporated in Great Britain and registered in England except where stated.