

MWH EUROPE LIMITED

Report and Financial Statements

31 December 2001

Deloitte & Touche
St Albans



REPORT AND FINANCIAL STATEMENTS 2001

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REPORT AND FINANCIAL STATEMENTS 2001

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

R G Cole (resigned 31 December 2002)
R N Wankmuller (appointed 1 January 2002)
K A Farrer
R J Schofield (resigned 30 September 2002)
G P Garrione
M A Tolaney
R Uhler

SECRETARY

G Collingwood

REGISTERED OFFICE

Terriers House
201 Amersham Road
High Wycombe
Buckinghamshire
HP13 5AJ

BANKERS

Barclays Bank plc
PO Box 41
High Wycombe
HP11 2BQ

SOLICITORS

Taylor Joynson Garrett
Carmelite
50 Victoria Embankment
Blackfriars
London
EC4Y 0DX

AUDITORS

Deloitte & Touche
St Albans

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2001.

ACTIVITIES

On 26 June 2001 the company changed its name to MWH Europe Limited. MWH Europe Limited (formerly Montgomery Watson Europe Limited) is the holding company of a group of consultant engineering companies engaged in the areas of water supply, pollution control, waste disposal and environmental management.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The company recorded an improvement in its operating performance during 2001 as shown on page 7. The directors are confident that the company will progress satisfactorily in 2002.

DIVIDENDS

The directors do not recommend the payment of a dividend (2000: nil).

DIRECTORS AND THEIR INTERESTS

The directors who served during the year are listed below. No director had any interest in the shares in the company and their interests in the share capital of the group parent company (split between MWH Inc Global and MWH BV) are as follows:

Director	Number of MWH Global Inc shares		Number of MWH (Holdings) BV shares	
	At 31 December 2000	At 31 December 2001	At 31 December 2000	At 31 December 2001
R N Wankmuller	7,382	7,382		
K A Farrer	-	-	11,639	13,221
R J Schofield	-	-	55,294	55,294
G P Garrione	-	-	3,065	-
M A Tolaney	140,023	130,023	-	-
R G Cole	79,340	79,340	2,789	2,789
R Uhler	70,498	71,198	-	-
P Hall	-	6,545	-	-

R G Cole (resigned 1 April 2002 from MWH Global Inc.), M A Tolaney, R Uhler and R N Wankmuller (appointed 16 March 2002) are also directors of the ultimate parent undertaking, MWH Global Inc. (formerly Montgomery Watson Inc.).

DIRECTORS' REPORT

EMPLOYEES

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the company as a whole. Communication with all employees continues through the house newspaper and newsletters, briefing groups and the distribution of the annual report.

AUDITORS

Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board

G Collingwood

Secretary

6-01-2003

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 group as at the end of the financial year and of the profit or loss of the group 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 applicable accounting standards have been followed; 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 the group and to 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MWH EUROPE LIMITED

We have audited the financial statements of MWH Europe Limited for the year ended 31 December 2001 which comprise the profit and loss account, the balance sheets, the statement of total recognised gains and losses and the related notes 1 to 23. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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 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 and other members of the group is not disclosed.

We read the directors' report and the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

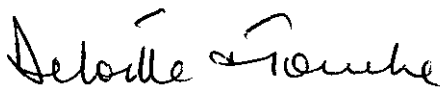
Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 circumstances of the company and the group, 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 affairs of the company and the group as at 31 December 2001 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche
Chartered Accountants
and Registered Auditors

16 January 2002

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2001

	Note	2001 £'000	2000 £'000
Turnover: group and share of joint ventures	2	109,047	109,198
Less: share of joint venture turnover		(1,821)	(1,494)
GROUP TURNOVER		107,226	107,704
Cost of sales		(54,711)	(62,134)
Gross profit		52,515	45,570
Administrative expenses		(35,718)	(35,299)
GROUP OPERATING PROFIT		16,797	10,271
Share of operating profit in joint ventures		124	167
		16,921	10,438
Loss on sale of fixed assets		(967)	(781)
Interest receivable	5	222	285
Interest payable	5	(429)	(1,514)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	15,747	8,428
Tax on profit on ordinary activities	6	(5,379)	(3,050)
RETAINED PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL YEAR		10,368	5,378

The results for the year arose entirely from continuing operations.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Year ended 31 December 2001

	Note	2001	2000
		£'000	£'000
Retained profit for financial year	17	10,368	5,378
Unrealised surplus on revaluation	18	20	-
Other reserve movements	18	(42)	-
Exchange movements		168	(54)
Total recognised gains and losses		10,514	5,324

CONSOLIDATED BALANCE SHEET
31 December 2001

	Note	2001 £'000	2001 £'000	2000 £'000	2000 £'000
FIXED ASSETS					
Intangible assets	7		310		418
Tangible assets	8		4,421		4,607
Investments in joint ventures:					
Share of assets		1,268		1,308	
Share of liabilities		(695)		(706)	
	9		573		602
			5,304		5,627
CURRENT ASSETS					
Debtors due after one year	10		386		591
Debtors due within one year	11		47,685		44,118
Cash at bank			7,261		7,362
			55,332		52,071
CREDITORS: amounts falling due					
Within one year	12		(29,559)		(31,172)
NET CURRENT ASSETS			25,773		20,899
TOTAL ASSETS LESS CURRENT LIABILITIES			31,077		26,526
CREDITORS: amounts falling due					
after more than one year	13		(5,019)		(10,982)
TOTAL NET ASSETS			26,058		15,544
CAPITAL AND RESERVES					
Called up share capital	16		10,000		10,000
Profit and loss account	17		15,079		4,543
Other reserves	18		979		1,001
TOTAL EQUITY SHAREHOLDERS' FUNDS			26,058		15,544

These financial statements were approved by the Board of Directors on 8 Jan 2002

Signed on behalf of the Board of Directors



Director

R N WAMMÜLLER

COMPANY BALANCE SHEET
31 December 2001

	Note	2001 £'000	2000 £'000
FIXED ASSETS			
Investments in group undertakings	9	12,952	13,095
CURRENT ASSETS			
Debtors due after one year	10	386	243
Debtors due within one year	11	9,005	8,259
Cash at bank		406	1,229
		9,797	9731
CREDITORS: amounts falling due within one year	12	(2,517)	(5,611)
NET CURRENT ASSETS		7,280	4,120
TOTAL ASSETS LESS CURRENT LIABILITIES		20,232	17,215
CREDITORS: amounts falling due after more than one year	13	(4,272)	(9,052)
TOTAL NET ASSETS		15,960	8,163
CAPITAL AND RESERVES			
Called up share capital	16	10,000	10,000
Profit and loss account	17	5,960	(1,837)
TOTAL EQUITY SHAREHOLDERS' FUNDS		15,960	8,163

These financial statements were approved by the Board of Directors on 8 January 2003.

Signed on behalf of the Board of Directors



Director

R. N. WANKMÜLLER

NOTES TO THE ACCOUNTS
Year ended 31 December 2001**1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Basis of consolidation

The consolidated financial statements incorporate the accounts of the Company and all of its subsidiary undertakings (subsidiaries). The financial statements of all subsidiaries are prepared to 31 December annually. The results of subsidiaries acquired are included in the profit and loss account from the date that control passes to the Group. Intra-Group transactions are eliminated fully on consolidation.

The group's share of profits less losses of associated undertakings (associates) is included in the consolidated profit and loss account and the Group's share of their net assets is included in the consolidated balance sheet.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rate prevailing at the balance sheet date. Transactions during the year are translated at the rate prevailing at the date of transaction. All exchange differences are taken to the profit and loss account. Foreign subsidiaries are translated using the closing rate ruling at the balance sheet date. Exchange differences arising are recorded as a movement in reserves.

Accounting convention

The financial statements are prepared under the historical cost convention, other than land and buildings which are revalued every year.

Intangible fixed assets

Patents and trademarks are depreciated in equal annual amounts over a period of three years.

Tangible fixed assets

Depreciation is provided to write down the cost of fixed assets over their estimated useful economic life. The rates of depreciation are as follows:

Freehold buildings	Straight line over 50 years on original building and over 10 year on improvements
Freehold land	Not depreciated
Motor vehicles	Straight line over 4 years
Fixtures, fittings, tools and equipment	Straight line over 3 years

Fixed asset investments

The carrying value of investments in subsidiaries in the parent company is adjusted to the amounts of the net assets shown in the historical cost balance sheets of the individual subsidiaries.

Work in progress

Where it is considered that the outcome of a long term contract can be assessed with reasonable certainty before its conclusion, the attributable profit is calculated as that part of the total profit currently estimated to arise over the duration of the contract that fairly reflects the profit attributable to that part of the work performed at the accounting date. Where losses on contracts are expected, full provision is made for the estimated losses to the end of contracts in question.

Deferred taxation

Deferred taxation is provided on timing differences, arising from the different treatment of items for accounts and taxation purposes, which are expected to reverse in the future, calculated at rates at which it is estimated that tax will arise.

NOTES TO THE ACCOUNTS

Year ended 31 December 2001

1. ACCOUNTING POLICIES (CONTINUED)

Leases

Assets held under finance and related lease obligations are capitalised in the balance sheet at cost and are depreciated over their useful lives. The excess of the lease payments over the principal lease obligations is treated as finance charges which are amortised over each lease term on a straight line basis. Rentals paid under operating leases are charged to the profit and loss account as incurred.

Goodwill

Goodwill arising on consolidation represents the excess of the consideration given over the fair value of the identifiable net assets acquired. Goodwill is capitalised on the balance sheet and amortised over its useful life, not exceeding 10 years.

Pension costs

The Group provides pensions to its employees through a funded defined benefit pension scheme. The assets of the funded scheme are held independently of the Group by trustees. The amount charged to the profit and loss account is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost. The regular cost is calculated so as to spread the cost of pensions over the estimated average remaining working life of scheme members. Variations from regular costs are charged or credited to the profit and loss account as a constant percentage of pensionable payroll over the estimated average remaining working life of scheme members. Any difference between amounts charged to the profit and loss account and contributions paid to the schemes is shown as a separately identified liability or asset in the balance sheet.

Cash flow statement and related party disclosures

The Group has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Report Standard 1. The company is also exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of the MWH (Holdings) BV group or investees of the MWH (Holdings) BV group.

2. TURNOVER

Turnover represents the value of services rendered during the period, state net of value added tax, after eliminating sales between group companies. All turnover for the year ended 31 December 2001 is attributable to the main activity of the company and is split geographically as follows.

	2001 £'000	2000 £'000
United Kingdom	86,851	56,815
Rest of Europe	15,997	15,712
Other	6,199	36,671
	<u>109,047</u>	<u>109,198</u>

NOTES TO THE ACCOUNTS

Year ended 31 December 2001

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2001 £'000	2000 £'000
The profit for the year is stated after charging:		
Amortisation of intangibles	57	283
Depreciation		
Owned assets	698	1,004
Leased assets	-	3
Operating lease charges		
Plant and equipment	966	712
Other	995	1,431
Auditors remuneration		
Audit services	127	173
Non audit services	97	147
	<u> </u>	<u> </u>

As permitted by section 230 of The Companies Act 1985, the profit and loss account of the parent company is not presented as part of these accounts. The profit of the parent company for the financial year was £7,797,000 (2000: loss £1,837,000).

4. STAFF COSTS AND ANALYSIS

	2001 £'000	2000 £'000
All employees		
Wages and salaries	35,518	51,417
Social security costs	2,546	2,581
Pension contributions	2,534	1,937
	<u>40,598</u>	<u>55,935</u>
Average number of persons employed		
Engineering	1,338	1,468
Marketing	10	9
Administration	310	277
	<u>1,658</u>	<u>1,754</u>
Emoluments of the highest paid director	248	226
Defined benefit pension scheme contributions	26	21
	<u>274</u>	<u>247</u>
Directors' remuneration		
Emoluments	499	446
Pension	49	32
Estimated money value of benefits	27	40
	<u>575</u>	<u>518</u>

Retirement benefits are accruing to 4 directors under a defined benefit scheme (2000: 4).

NOTES TO THE ACCOUNTS
Year ended 31 December 2001

5. INTEREST

	2001	2000
	£'000	£'000
Receivable		
Bank interest	222	190
Other interest	-	95
	<u>222</u>	<u>285</u>
Payable		
Interest payable on bank loans and overdrafts	164	474
Interest paid to group undertakings	265	1,040
	<u>429</u>	<u>1,514</u>

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2001	2000
	£'000	£'000
United Kingdom corporation tax at 30%		
(2000 - 30%) based on the profit for the year	5,227	2,777
Overseas taxation	221	273
Adjustments to prior years' tax provisions	(69)	-
	<u>5,379</u>	<u>3,050</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2001

7. INTANGIBLE FIXED ASSETS

Group	Goodwill £'000	Patents & Trademarks £'000	Total £'000
Cost			
At 1 January 2001	357	437	794
Additions	-	9	9
Disposals	-	(101)	(101)
At 31 December 2001	357	345	702
Depreciation			
At 1 January 2001	86	290	376
Charge for the year	4	53	57
Disposals	-	(41)	(41)
At 31 December 2001	90	302	392
Net book value			
At 31 December 2001	267	43	310
At 31 December 2000	271	147	418

Intangible assets comprise goodwill on acquisition of Pardevo SA. Other intangible assets are those acquired by MWH SPA and Montgomery Watson Asia Limited. The latter had a nil balance at year end.

NOTES TO THE ACCOUNTS
Year ended 31 December 2001

8. TANGIBLE FIXED ASSETS

Group	Freehold land and buildings £'000	Plant and equipment £'000	Motor vehicles £'000	Total £'000
Cost or valuation				
At 1 January 2001	3,631	2,920	395	6,946
Exchange difference	(57)	(50)	(17)	(124)
Revaluation	20	-	-	20
Additions	13	696	15	724
Disposals	(86)	(136)	(180)	(402)
At 31 December 2001	3,521	3,430	213	7,164
Depreciation				
At 1 January 2001	177	1,894	268	2,339
Exchange difference	(9)	(40)	(17)	(66)
Charge for the year	93	555	50	698
Disposals	(35)	(51)	(142)	(228)
At 31 December 2001	226	2,358	159	2,743
Net book value				
At 31 December 2001	3,295	1,072	54	4,421
At 31 December 2000	3,454	1,026	127	4,607

Freehold land and buildings includes £1,522,000 of non-depreciated land (2000: £1,850,000).

Assets held under finance leases and capitalised in plant and machinery include:

	2001 £'000	2000 £'000
Cost	16	29
Depreciation	(8)	(17)
Net book value	8	12

The group's freehold property in High Wycombe was revalued at 31 December 2001 on the basis of existing use. The valuation was undertaken in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors by Aitchison Raffety, a firm of independent Chartered Surveyors.

The valuation has been incorporated into the financial statements and the resulting valuation adjustments have been taken to the revaluation reserve. The revaluation during the year ended 31 December 2001 resulted in no significant change from the valuation for the year 2000. The historical cost of the property included at valuation is as follows:

	Valuation £'000	Cost £'000
Land	1,522	1,372
Building	1,502	799
Accumulated depreciation on buildings	-	(126)
	3,024	2,045

NOTES TO THE ACCOUNTS
Year ended 31 December 2001

9. INVESTMENTS

	2001 £'000	2000 £'000
Group		
Joint ventures		
Share of assets	1,268	1,308
Share of liabilities	(695)	(706)
	<u>573</u>	<u>602</u>
Investments at 1 January	602	469
Distributions	(153)	(34)
Share of joint venture profit	124	167
	<u>573</u>	<u>602</u>

	Share holding % in ordinary shares	Country of incorp- oration	Principal activity
Associated undertakings			
Montgomery Watson Iannou	49	Cyprus	Consultant Engineers
Watson Khonji	49	Bahrain	Consultant Engineers
Watson Hawksley Gulf Consult	50	Kuwait	Consultant Engineers
Sindhu Montgomery Sdn Bhg	49	Thailand	Consultant Engineers
Integrated Zone Management Limited	50	UK	Consultant Engineers
MWH Arabtech-Jardaneh (formerly Montgomery Watson Arabtech-Jardaneh)	50	Jordan	Consultant Engineers
MWH Wessex Limited	49	UK	Consultant Engineers

	2001 £'000	2000 £'000
Company		
Investments at 1 January	13,095	14,211
Additions in the year	6	-
Write down of value of investments	(149)	(1,116)
	<u>12,952</u>	<u>13,095</u>

The carrying value of investments in subsidiaries in the parent company is adjusted to the amounts of the net assets shown in the historical cost balance sheets of the individual subsidiaries.

NOTES TO THE ACCOUNTS
Year ended 31 December 2001

9. INVESTMENTS (CONTINUED)

Principal Subsidiary Undertakings

Company	Formerly	Country of incorp- oration	% of Equity Owned
MWH Programme Management Limited	Montgomery Watson Programme Management Limited	England	100%
MWH UK Limited	Montgomery Watson Limited	England	100%
MWH (IOM) Limited	Montgomery Watson (IOM) Limited	Isle of Man	100%
MWH SPA	Montgomery Watson SPA	Italy	100%
MWH SA	Montgomery Watson SA	Belgium	100%
Pardevo SA	Pardevo SA	Belgium	100%
MWH Consultants (India) Pvt Limited	Montgomery Watson AIC	India	100%
Montgomery Watson Projects Limited	Montgomery Watson Projects Limited	England	100%
Montgomery Watson (Asia) Limited	Montgomery Watson (Asia) Limited	Hong Kong	100%
Montgomery Watson Harza EOOD	Montgomery Watson EOOD	Bulgaria	100%
Montgomery Watson Environmental Pty Limited	Montgomery Watson Environmental Pty Limited	Australia	100%
MWH Slovenia	Not applicable	Slovenia	100%

Name changes occurred after the merger of Montgomery Watson and Harza Group of companies during 2001.

The company owns the shares in MWH UK Limited, Montgomery Watson (Asia) Limited, MWH SPA, MWH SA, MWH Consultants (India) Pvt Limited, Pardevo SA, MWH Programme Management Limited and MWH EOOD and MWH Slovenia.

MWH UK Limited owns the shares in Montgomery Watson Projects Limited and MWH (IOM) Limited. Montgomery Watson (Asia) Limited owns the shares in Montgomery Watson Environmental Pty Limited.

MWH Slovenia was incorporated on 26 October 2001.

The main activities of all the subsidiaries include acting as consultants in civil engineering concerned with the design and construction of public health facilities, chiefly in the areas of water supply, pollution control, waste disposal and management and protection of the environment.

All companies trade mainly in their country of registration.

NOTES TO THE ACCOUNTS

Year ended 31 December 2001

10. DEBTORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Company		Group	
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
Amounts owed by related undertakings	386	243	386	591

11. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2001	2000
	£'000	£'000
Group		
Amounts recoverable on contracts	29,717	14,639
Trade debtors net of provisions	12,423	16,516
Amounts owed by related undertakings	1,401	8,391
Amounts owed by associated undertakings	1,609	1,268
Other debtors	1,806	2,520
Prepayments and accrued income	729	784
	<u>47,685</u>	<u>44,118</u>
Company		
Amounts owed by related undertakings	<u>9,005</u>	<u>8,259</u>

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Company		Group	
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
Bank overdrafts (note 14)	-	-	102	4,766
Trade creditors	48	58	6,022	4,036
Amounts owed to related undertakings	2,107	5,318	883	2,883
Amounts owed by associated undertakings	14	17	715	1,126
Fees in advance	-	-	9,737	7,061
Obligations under finance lease	-	-	4	13
Other taxes and social security	-	-	1,998	3,593
Corporate taxation	-	-	3,220	1,947
Other creditors	348	218	4,043	3,507
Accruals and deferred income	-	-	2,835	2,240
	<u>2,517</u>	<u>5,611</u>	<u>29,559</u>	<u>31,172</u>

NOTES TO THE ACCOUNTS

Year ended 31 December 2001

13. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	Company		Group	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Amounts owed to related undertakings	4,094	8,829	4,564	10,759
Long term creditor	-	-	277	-
Bank loans (note 14)	178	223	178	223
	<u>4,272</u>	<u>9,052</u>	<u>5,019</u>	<u>10,982</u>

14. BORROWINGS

Group	2001 £'000	2000 £'000
Due within one year		
Bank overdrafts	102	4,766
	<u>102</u>	<u>4,766</u>
Due after more than one year		
Bank loans	178	223
	<u>178</u>	<u>223</u>
Payable by instalments		
Within one year	-	-
Between one and two years	178	223
Between two and five years	-	-
	<u>178</u>	<u>223</u>
Payable other than by instalments		
Within one year	102	4,766
	<u>102</u>	<u>4,766</u>
Total borrowings	<u>280</u>	<u>4,989</u>

Interest is charged at 8% per annum. The bank loans and overdrafts are secured by letters of credit from the ultimate parent.

NOTES TO THE ACCOUNTS
Year ended 31 December 2001

15. DEFERRED TAXATION

Group

As at 31 December 2001 and 31 December 2000 no amounts have been provided in respect of deferred taxation. There was an unprovided deferred tax asset as follows:

	2001 £'000	2000 £'000
Capital allowances in excess of depreciation	329	201
Tax losses	293	304
Net unprovided deferred tax asset	<u>622</u>	<u>505</u>

16. CALLED UP SHARE CAPITAL

	2001 £'000	2000 £'000
Group and Company		
Authorised		
20,000 ordinary shares of £1 each	<u>20,000</u>	<u>20,000</u>
Called up, allotted and fully paid		
10,000 ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>

17. PROFIT AND LOSS ACCOUNT

	Company		Group	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
At 1 January	(1,837)	-	4,543	(781)
Exchange movement	-	-	168	(54)
Retained profit/(loss) for year	<u>7,797</u>	<u>(1,837)</u>	<u>10,368</u>	<u>5,378</u>
At 31 December	<u>5,960</u>	<u>(1,837)</u>	<u>15,079</u>	<u>4,543</u>

18. OTHER RESERVES

	Asset revaluation £'000	Other reserves £'000	Total £'000
Group			
At 1 January 2001	959	42	1,001
Additions in the year	<u>20</u>	<u>(42)</u>	<u>(22)</u>
At 31 December 2001	<u>979</u>	<u>-</u>	<u>979</u>

NOTES TO THE ACCOUNTS

Year ended 31 December 2001

19. PENSION

The company operates a defined benefit pension scheme. The assets of the scheme are held separately from those of the company in an independent fund administered by Clerical Medical Investment Group Limited (CMIG). The scheme is subject to triennial actuarial valuations. The last valuation was carried out and reported on as at 1 April 1999. An actuarial review was carried out for the year ended 31 December 2001.

Financial Reporting Standard 17 - "Retirement Benefits" (FRS 17) comes into effect for accounting periods ending on or after 22 June 2001. Adoption of the new standard is being phased over three years and in this first year the Company is required to disclose the difference between the market value of the pension scheme and any other assets and the present value of its benefit obligations as at 31 December 2001. The details are given below.

The major assumptions used by the actuary in his 31 December 2001 review were:

Inflation assumption	2.4%
Increase for pensions	2.4%
Increase for deferred pensions	2.4%
Salary scale increase per annum	5.4%
Discount rate for liabilities	5.8%

The expected return on investments is set at 6.7%. The funding level is 72%.

Based on actuarial valuation, consistent with the methods prescribed in FRS 17, a deficit has been identified as follows:

	2001
	£'000
Fair value of scheme assets	22,700
Present value of scheme liabilities	(31,500)
Scheme deficit	(8,800)

The net effect on the net assets of the group of the deficit arising is:

	2001
	£'000
Net assets excluding pension deficit (note 21)	26,062
Pension deficit	(8,800)
Net assets including pension deficit	17,262

The group contributions made in the year amounted to £2,534,000 (2000: £1,937,000).

NOTES TO THE ACCOUNTS

Year ended 31 December 2001

20. OPERATING LEASE COMMITMENTS

At 31 December the group was committed to making the following payments during the year in respect of operating leases:

	Land and Buildings	Other	Land and Buildings	Other
	2001	2001	2000	2000
	£000	£000	£000	£000
Lease which expire:				
Within one year	81	125	707	319
Within two to five years	216	1,502	196	815
After five years	409	3	433	-
	<u>706</u>	<u>1,630</u>	<u>1,336</u>	<u>1,134</u>

21. MOVEMENT IN SHAREHOLDERS' FUNDS

	2001	2000
Group	£000	£000
Retained profit for the financial year	10,368	5,378
Other reserves	(42)	(5)
Asset revaluation	20	150
Minority interest	-	1
Other recognised gains and losses	168	(54)
	<u>10,514</u>	<u>5,470</u>
Net additions to shareholders' funds	10,514	5,470
Shareholders' funds brought forward	15,544	10,074
	<u>26,058</u>	<u>15,544</u>

22. CONTINGENT LIABILITIES AND CAPITAL EXPENDITURE

At 31 December 2001, the group had contingent liabilities in respect of normal trading guarantees given to its bankers amounting to £6,368,000 (2000: £5,205,000). The company had no capital expenditure commitments approved but not contracted for as at 31 December 2001 (2000: nil).

23. ULTIMATE PARENT UNDERTAKING

The company's ultimate parent undertaking and controlling entity is MWH Global Inc., a company incorporated in the United States of America. The smallest and largest group for which consolidated accounts are prepared are headed by MWH Global Inc. Group accounts are available from 300 North Lake Avenue, Suite 1,200, Pasadena, California, U.S.A., 91101.