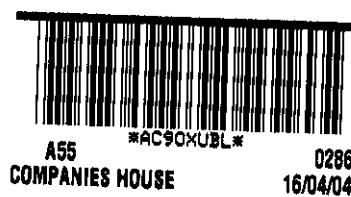


MWH EUROPE LIMITED

Report and Financial Statements

Year ended 31 December 2002



Deloitte & Touche LLP
St Albans

MWH EUROPE LIMITED

REPORT AND FINANCIAL STATEMENTS 2002

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MWH EUROPE LIMITED

REPORT AND FINANCIAL STATEMENTS 2002

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

R G Cole (resigned 1 April 2002)
K A Farrer
R J Schofield (resigned 1 September 2002)
G P Garrione
M A Tolaney
R Uhler
R Wankmuller (appointed 1 April 2002)

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 Wessing
Carmelite
50 Victoria Embankment
Blackfriars
London
EC4Y 0DX

AUDITORS

Deloitte & Touche LLP
St Albans

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2002.

ACTIVITIES

MWH 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 2002 as shown on page 6. The directors are confident that the company will progress satisfactorily in 2003/4.

DIVIDENDS

The directors recommend the payment of an interim and final dividend for the year ended 31 December 2002 of £11,844,000 paid on 22 August 2002 (2001: nil).

DIRECTORS AND THEIR INTERESTS

The directors who served during the year are listed below and on page 1. 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 2001	At 31 December 2002	At 31 December 2001	At 31 December 2002
R G Cole	79,340	-	2,789	-
K A Farrer	-	-	13,221	14,164
R J Schofield	-	-	55,294	-
G P Garrione	-	-	-	-
M A Tolaney	130,023	-	-	-
R Uhler	71,198	70,648	-	-
R Wankmuller	7,382	8,369	-	-

R Wankmuller, M A Tolaney and R Uhler are also directors of the ultimate parent undertaking, MWH Global Inc. R G Cole resigned his directorship of MWH Global Inc and MWH Europe Limited on 1 April 2002.

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.

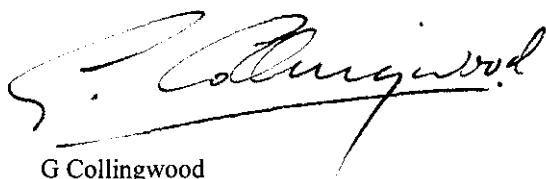
Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units 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.

DIRECTORS' REPORT

AUDITORS

On 1 August 2003, Deloitte & Touche, the Company's auditors transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of section 26(5) of the Companies Act 1989. A resolution to re-appoint Deloitte & Touche LLP as the Company's auditor 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

7th April 2004

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 2002 which comprise the profit and loss account, the balance sheets, the statement of total recognised gains and losses and the related notes 1 to 24. 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 auditors' 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

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 2002 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 LLP

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

15 April 2004

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2002

	Note	2002 £'000	2001 As restated (see note 2) £'000
Turnover: group and share of joint ventures	2	124,531	107,179
Less: share of joint venture turnover		(2,515)	(1,821)
GROUP TURNOVER		<u>122,016</u>	<u>105,358</u>
Cost of sales		(54,472)	(52,843)
Gross profit		<u>67,544</u>	<u>52,515</u>
Administrative expenses		(48,456)	(35,718)
GROUP OPERATING PROFIT		<u>19,088</u>	<u>16,797</u>
Share of operating profit in joint ventures		482	124
		<u>19,570</u>	<u>16,921</u>
Profit/(loss) on sale of fixed assets		3	(967)
Interest receivable	5	349	222
Interest payable	5	(357)	(429)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>19,565</u>	<u>15,747</u>
Tax on profit on ordinary activities	6	(6,837)	(5,379)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u>12,728</u>	<u>10,368</u>
Dividends payable on equity shares		(11,844)	-
RETAINED PROFIT FOR THE FINANCIAL YEAR		<u><u>884</u></u>	<u><u>10,368</u></u>

The results for the year arose entirely from continuing operations.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Year ended 31 December 2002

	Note	2002	2001
		£'000	£'000
Retained profit for financial year	17	884	10,368
(Reduction)/increase on asset revaluation reserve	18	(150)	20
Other reserve movements		-	(42)
Exchange movements on retranslation of foreign subsidiaries		(7)	168
Total recognised gains and losses		727	10,514

CONSOLIDATED BALANCE SHEET
31 December 2002

	Note	2002 £'000	2002 £'000	2001 £'000	2001 £'000
FIXED ASSETS					
Intangible assets	7		279		310
Tangible assets	8		4,308		4,421
Investments in joint ventures:					
Share of assets		1,418		1,268	
Share of liabilities		(622)		(695)	
	9		796		573
			5,383		5,304
CURRENT ASSETS					
Debtors due after one year	10		1,528		386
Debtors due within one year	11		54,662		47,685
Cash at bank			5,762		7,261
			61,952		55,332
CREDITORS: amounts falling due within one year	12		(35,883)		(29,559)
NET CURRENT ASSETS			26,069		25,773
TOTAL ASSETS LESS CURRENT LIABILITIES			31,452		31,077
CREDITORS: amounts falling due after more than one year	13		(4,667)		(5,019)
TOTAL NET ASSETS			26,785		26,058
CAPITAL AND RESERVES					
Called up share capital	16		10,000		10,000
Profit and loss account	17		15,956		15,079
Other reserves	18		829		979
TOTAL EQUITY SHAREHOLDERS' FUNDS			26,785		26,058

These financial statements were approved by the Board of Directors on *7 April* 2004

Signed on behalf of the Board of Directors



R Wankmuller
Director

COMPANY BALANCE SHEET

31 December 2002

	Note	2002 £'000	2001 £'000
FIXED ASSETS			
Investments in group undertakings	9	11,035	12,952
Tangible Assets	8	231	-
		<u>11,266</u>	<u>12,952</u>
CURRENT ASSETS			
Debtors due after one year	10	385	386
Debtors due within one year	11	9,233	9,005
Cash at bank		503	406
		<u>10,121</u>	<u>9,797</u>
CREDITORS: amounts falling due within one year	12	<u>(3,605)</u>	<u>(2,517)</u>
NET CURRENT ASSETS		<u>6,516</u>	<u>7,280</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		17,782	20,232
CREDITORS: amounts falling due after more than one year	13	<u>(4,268)</u>	<u>(4,272)</u>
TOTAL NET ASSETS		<u>13,514</u>	<u>15,960</u>
CAPITAL AND RESERVES			
Called up share capital	16	10,000	10,000
Profit and loss account	17	3,514	5,960
TOTAL EQUITY SHAREHOLDERS' FUNDS		<u>13,514</u>	<u>15,960</u>

These financial statements were approved by the Board of Directors on *7 April* 2004.

Signed on behalf of the Board of Directors



R Wankmuller

Director

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

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 joint ventures 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 included at cost and are depreciated in equal annual amounts over a period of three years. Provision is made for any impairment

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation net of any depreciation and any provision for impairment. 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 years 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.

NOTES TO THE ACCOUNTS

Year ended 31 December 2002

1. ACCOUNTING POLICIES (CONTINUED)

Deferred taxation

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

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. Provision is made for any impairment.

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, net of value added tax, after eliminating sales between group companies. All turnover for the period ended 31 December 2002 is attributable to the main activity of the company and is split geographically as follows. The profit and loss account for 2001 has been restated to exclude £1,868,000 of agency transactions which should not be included in turnover and cost of sales.

	2002	2001
	£'000	As restated £'000
United Kingdom	104,372	85,629
Rest of Europe	15,306	15,997
Other	4,853	5,553
	<u>124,531</u>	<u>107,179</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2002	2001
	£'000	£'000
The profit for the year is stated after charging/(crediting):		
Amortisation of intangibles	88	57
Depreciation		
Owned assets	647	698
Leased assets	-	-
Operating lease charges		
Plant and equipment	1,224	966
Other	927	995
Auditor's remuneration		
Audit services	164	127
Non audit services	110	97
Foreign exchange (gain)/loss	(216)	275
	<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 loss of the parent company for the financial year was £2,446,000 (2001: £7,797,000 profit).

4. STAFF COSTS AND ANALYSIS

	2002	2001
	£'000	£'000
All employees		
Wages and salaries	39,420	34,886
Social security costs	2,907	2,546
Pension contributions	3,532	3,166
	<u> </u>	<u> </u>
	45,859	40,598
Average number of persons employed	<u> </u>	<u> </u>
Engineering	1,567	1,338
Marketing	11	10
Administration	295	310
	<u> </u>	<u> </u>
	1,873	1,658
Emoluments of the highest paid director	210	248
Defined benefit pension scheme contributions	11	26
	<u> </u>	<u> </u>
	221	274
Directors' remuneration	<u> </u>	<u> </u>
Emoluments	455	499
Pension	32	49
Estimated money value of benefits	23	27
	<u> </u>	<u> </u>
	510	575
	<u> </u>	<u> </u>

Retirement benefits are accruing to 4 directors under a defined benefit scheme (2001: 4).

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

5. INTEREST

	2002 £'000	2001 £'000
Receivable		
Bank interest	338	222
Other interest	11	-
	<u>349</u>	<u>222</u>
Payable		
Interest payable on bank loans and overdrafts	142	164
Interest paid to group undertakings	215	265
	<u>357</u>	<u>429</u>

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2002 £'000	2001 £'000
United Kingdom corporation tax at 30% (2001 - 30%) based on the profit for the year	7,005	5,227
Overseas taxation	187	221
Adjustments to prior years' tax provisions	22	(69)
	<u>7,214</u>	<u>5,379</u>
Deferred tax		
Timing differences	11	-
Adjustments to the estimated recoverable amounts of deferred tax assets arising in previous periods	(388)	-
	<u>6,837</u>	<u>5,379</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

6. TAX ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

FACTORS AFFECTING TAX CHARGE FOR THE CURRENT PERIOD

The tax assessed for the period is higher/lower than that resulting from applying the standard rate of corporation tax in the UK: 30% (2001: 30%)

The differences are explained below:

	2002	2001
	£'000	£'000
Profit on ordinary activities before tax	19,565	15,747
Tax at 30% thereon	5,870	4,724
Effects of:		
Expenses not deductible for tax purposes	451	115
Capital allowances in excess of depreciation	64	57
Utilisation of tax losses	777	599
Movement in short term timing differences	18	26
Overseas tax rates	76	222
Net book value adjustment – eligible assets	-	(1)
Net book value of disposals	-	24
Group relief not paid for	-	(248)
Other adjustments	(65)	(43)
Disposal proceeds of ineligible assets	1	(27)
Prior period adjustments	22	(69)
Current tax charge for period	7,214	5,379

FACTORS THAT MAY AFFECT THE FUTURE TAX CHARGE

A deferred tax asset has not been recognised in respect of timing differences relating to accelerated capital allowances and trading losses as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised is £381,504 (2001: £621,961). The asset would be recovered if sufficient taxable profits were made in future in the relevant entity.

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

7. INTANGIBLE FIXED ASSETS

Group	Goodwill £'000	Other Intangibles £'000	Total £'000
Cost			
At 1 January 2002	357	345	702
Additions	-	57	57
Disposals	-	(189)	(189)
At 31 December 2002	357	213	570
Depreciation			
At 1 January 2002	90	302	392
Charge for the year	53	35	88
Disposals	-	(189)	(189)
At 31 December 2002	143	148	291
Net book value			
At 31 December 2002	214	65	279
At 31 December 2001	267	43	310

Goodwill arose on acquisition of Pardevo SA. Other intangible assets are those acquired by MWH SPA.

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 2002	3,521	3,430	213	7,164
Exchange difference	(32)	(19)	3	(48)
Revaluation	(355)	-	-	(355)
Additions	-	699	44	743
Disposals	-	(511)	(31)	(542)
At 31 December 2002	3,134	3,599	229	6,962
Depreciation				
At 1 January 2002	226	2,358	159	2,743
Exchange difference	(7)	(8)	3	(12)
Charge for the year	75	547	25	647
Disposals	(205)	(491)	(28)	(724)
At 31 December 2002	89	2,406	159	2,654
Net book value				
At 31 December 2002	3,045	1,193	70	4,308
At 31 December 2001	3,295	1,072	54	4,421

NOTES TO THE ACCOUNTS

Year ended 31 December 2002

8. TANGIBLE FIXED ASSETS (CONTINUED)

Freehold land and buildings includes £1,760,000 of non-depreciated land (2001: £1,522,000).

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

	2002 £'000	2001 £'000
Cost	16	16
Depreciation	(8)	(8)
Net book value	8	8

The group's freehold property in High Wycombe was revalued at 31 December 2002 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 2002 resulted in a reduction of £150,000 from the valuation for the year 2001. The historical cost of the property included at valuation is as follows:

	Valuation £'000	Cost £'000
Land	1,760	1,372
Building	1,055	799
Accumulated depreciation on buildings	-	(184)
	2,815	1,987

Company	Plant and equipment £'000
Cost or valuation	
Additions	231
At 31 December 2002	231
Depreciation	
Charge for the year	-
At 31 December 2002	-
Net book value	
At 31 December 2002	231
At 31 December 2001	-

NOTES TO THE ACCOUNTS

Year ended 31 December 2002

9. INVESTMENTS

	2002 £'000	2001 £'000
Group		
Joint ventures		
Share of assets	1,418	1,268
Share of liabilities	(622)	(695)
	<u>796</u>	<u>573</u>
Investments at 1 January	573	602
Distributions	(259)	(153)
Share of joint venture profit	482	124
	<u>796</u>	<u>573</u>
Investments at 31 December	<u>796</u>	<u>573</u>

	Share holding % in ordinary shares	Country of incorp- oration	Principal activity
Joint ventures			
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	50	Jordan	Consultant Engineers
MWH Wessex Limited	49	UK	Consultant Engineers

	2002 £'000	2001 £'000
Company		
Investments at 1 January	12,952	13,095
Additions in the year	-	6
Write down of value of investments	(1,917)	(149)
	<u>11,035</u>	<u>12,952</u>
Investments at 31 December	<u>11,035</u>	<u>12,952</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 2002

9. INVESTMENTS (CONTINUED)

Principal Subsidiary Undertakings

Company	Country of incorp- oration	% of Equity Owned
MWH Programme Management Limited		
	England	100%
MWH UK Limited	England	100%
MWH (IOM) Limited	Isle of Man	100%
MWH SPA	Italy	100%
MWH SA	Belgium	100%
Pardevo SA	Belgium	100%
MWH Consultants (India) Pvt Limited	India	100%
Montgomery Watson Projects Limited	England	100%
Montgomery Watson (Asia) Limited	Hong Kong	100%
Montgomery Watson Harza EOOD	Bulgaria	100%
Montgomery Watson Environmental Pty Limited	Australia	100%
MWH Slovenia	Slovenia	100%

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

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 SA owns the shares in Montgomery Watson Harza EOOD

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.

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

	Company		Group	
	2002	2001	2002	2001
	£'000	£'000	£'000	£'000
Amounts owed by group undertakings	385	386	1,528	386

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

11. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002	2001
	£'000	£'000
Group		
Amounts recoverable on contracts	35,281	29,717
Trade debtors net of provisions	13,009	12,423
Amounts owed by group undertakings	576	1,401
Amounts owed by undertakings in which the company has a participating interest	1,895	1,609
Other debtors	3,012	1,806
Prepayments and accrued income	889	729
	<u>54,662</u>	<u>47,685</u>
Company		
Amounts owed by undertakings in which the company has a participating interest	<u>9,233</u>	<u>9,005</u>

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Company		Group	
	2002	2001	2002	2001
	£'000	£'000	£'000	£'000
Bank overdrafts (note 14)	-	-	168	102
Trade creditors	29	48	7,763	6,022
Amounts owed to group undertakings	3,207	2,107	2,451	883
Amounts owed to undertakings in which the company has a participating interest	-	14	1,002	715
Fees in advance	-	-	10,135	9,737
Obligations under finance lease	-	-	2	4
Other taxes and social security	-	-	3,075	1,998
Corporation taxation	197	-	4,366	3,220
Other creditors	172	348	4,926	4,043
Accruals and deferred income	-	-	1,995	2,835
	<u>3,605</u>	<u>2,517</u>	<u>35,883</u>	<u>29,559</u>

13. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	Company		Group	
	2002	2001	2002	2001
	£'000	£'000	£'000	£'000
Amounts owed to undertakings in which the company has a participating interest	4,170	4,094	4,274	4,564
Long term creditor	-	-	295	277
Bank loans (note 14)	98	178	98	178
	<u>4,268</u>	<u>4,272</u>	<u>4,667</u>	<u>5,019</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

14. BORROWINGS

Group	2002 £'000	2001 £'000
Due within one year		
Bank overdrafts	168	102
Due after more than one year		
Bank loans	98	178
Payable by instalments		
Within one year	-	-
Between one and two years	98	178
Between two and five years	-	-
	98	178
Payable other than by instalments		
Within one year	168	102
Total borrowings	266	280

Interest is charged at 6% per annum. The bank loans and overdrafts are secured by letters of credit from the ultimate parent.

15. DEFERRED TAXATION

Group

As at 31 December 2002 and 31 December 2001 no amounts have been provided in respect of deferred taxation. There was unprovided deferred tax as follows:

MOVEMENT ON DEFERRED TAXATION BALANCE IN THE PERIOD

	2002 £'000	2001 £'000
Credit to profit and loss account	377	-
Closing asset balance	377	-

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

15. DEFERRED TAXATION (CONTINUED)

ANALYSIS OF PROVIDED DEFERRED TAX BALANCE

	2002 £'000	2001 £'000
Capital allowances in excess of depreciation	99	-
Short term timing differences	278	-
	<u>377</u>	<u>-</u>
Deferred tax asset	<u>377</u>	<u>-</u>

16. CALLED UP SHARE CAPITAL

Group and Company	2002 £'000	2001 £'000
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	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
At 1 January	5,960	(1,837)	15,079	4,543
Exchange movement	-	-	(7)	168
Retained profit/(loss) for year	<u>(2,446)</u>	<u>7,797</u>	<u>884</u>	<u>10,368</u>
At 31 December	<u>3,514</u>	<u>5,960</u>	<u>15,956</u>	<u>15,079</u>

18. OTHER RESERVES

Group	Revaluation reserve £'000
At 1 January 2002	979
Reduction in the year (note 8)	<u>(150)</u>
At 31 December 2002	<u>829</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

19. PENSION SCHEME

SSAP 24 Disclosures

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 as at 1 April 2002 but not currently reported on. The actuarial valuation of CMIG at 1 April 1999 indicated that there was a surplus (i.e. the scheme's assets existing on the effective date fully cover its liabilities as at the date). The result of the valuation is based on:

Method of funding:

Determination of the company contribution rate to fund future service liabilities is calculated as the present value of benefits which will accrue to current active members by reference to years service and projected final earnings, less the present value of expected future contributions. The resulting figure is divided by the present value of members' earnings in that year. In addition, the difference between the value placed on the plan assets for valuation purposes and the present value of all past service benefits, based on projected final earnings for members in service has been considered in calculating the required long term contribution rate.

Assumptions used:

Rate of interest of 7% per annum, allowances for increases in members' earnings of 7% per annum LPI increases of 3.5% per annum and an investment return on the fund (net of expenses) of 9% per annum.

The market value of scheme assets at 1 April 1999 was £14,884,800 and there was an actuarial surplus of less than 5%. The company's contributions are at 10.5% per annum.

Over the year ending 31 December 2002, the employer paid 11% contributions and the employees paid 5% of pensionable salaries. The company contributions made in the year ended amounted to £3,092,000 (2001: £2,534,000).

FRS 17 Disclosures

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 was initially being phased over three years but currently full implementation is not expected until 2005.

The major assumptions used by the actuary in his 31 December 2001 and 31 December 2002 reviews were as follows:

	2002	2001
Inflation assumption	2.3%	2.4%
Increase for pensions	2.3%	2.4%
Salary scale increase per annum	5.3%	5.4%
Discount rate for liabilities	5.4%	5.8%

NOTES TO THE ACCOUNTS

Year ended 31 December 2002

19. PENSION SCHEME (CONTINUED)

The fair value of the assets at 31 December 2001 and 31 December 2002 and the expected rate of return for each category of assets is as follows:

	2002 Expected rate of return	2002 Value of assets £'000	2001 Expected rate of return	2001 Value of assets £'000
Equities	8.8%	-	8.4%	-
Property	7.3%	-	7.4%	-
Bonds	4.8%	-	4.9%	-
Group pension contract	5.4%	33,700	6.7%	22,700
Cash and other net assets	4.0%	(1,100)	4.0%	-
Deficit in the scheme		32,600		22,700

The scheme has a number of purchased annuities in respect of past retirements. These are understood to fully match the associated liabilities and so have been excluded from both the assets and liabilities at each accounting date.

Balance Sheet Note

The deficit at 31 December 2001 was £8.8m being the difference between the fair value of the assets of £22.7m and the then present value of the liabilities on the above assumptions of £31.5m.

The deficit at 31 December 2002 was £20.4m being the difference between the fair value of the assets of £32.6m and the then present value of the liabilities on the above assumptions of £53.0m.

Had the financial statements been prepared under full implementation of FRS 17 the following amounts would have been included in the primary statements.

The individual components of the defined benefit cost included within the profit and loss account:

	As at 31 December 2002 £'000
Current service cost	(3,700)
Total operating charge	(3,700)
Expected return of the assets	1,800
Interest cost	(2,200)
Other finance income	(400)

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

19. PENSION SCHEME (CONTINUED)

Analysis of amount recognised in statement of total recognised gains and losses:

	As at 31 December 2002 £'000
Actual return less expected return on assets	(100)
Experience gains and losses arising on the scheme liabilities	(5,800)
Change in basis – financial	(4,200)
Actuarial loss recognised in statement of total recognised gains and losses	(10,100)

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 2002 £000	Other 2002 £000	Land and Buildings 2001 £000	Other 2001 £000
Lease which expire:				
Within one year	109	377	81	125
Within two to five years	222	1,187	216	1,502
After five years	500	6	409	3
	831	1,570	706	1,630

Finance lease commitments are £3,000 over the next two years.

21. MOVEMENT IN SHAREHOLDERS' FUNDS

Group	2002 £000	2001 £000
Retained profit for the financial year	884	10,368
Other reserves	-	(42)
Other recognised gains and losses	(7)	168
Asset revaluation	877	10,494
	(150)	20
Net additions to shareholders funds	727	10,514
Shareholders funds brought forward	26,058	15,544
	26,785	26,058

22. CONTINGENT LIABILITIES AND CAPITAL EXPENDITURE

At 3 January 2003, the group had contingent liabilities in respect of normal trading guarantees given to its bankers amounting to £4,998,000 (2001: £6,368,000). The company had no capital expenditure commitments approved but not contracted for as at 31 December 2002 (2001: nil).

NOTES TO THE ACCOUNTS

Year ended 31 December 2002

23. POST BALANCE SHEET EVENTS

On 17 December 2003 the remaining share capital of Integrated Zone Management Limited was purchased by MWH UK Limited and since that date has become a fully owned subsidiary.

24. 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. Group accounts are available from 300 North Lake Avenue, Suite 1,200, Pasadena, California, U.S.A., 91101.

The immediate parent undertaking and the smallest group accounts in which its results are consolidated is MWH (Holdings) BV, a company incorporated in Belgium.