

Company Registration No. 2438136

MWH EUROPE LIMITED

Report and Financial Statements

Year ended 31 December 2003

**Deloitte & Touche LLP
St Albans**



RID *R009708X* 0413
COMPANIES HOUSE 31/1/05
LD6 *LT1F62EG* 0057
COMPANIES HOUSE 31/01/05

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MWH EUROPE LIMITED

REPORT AND FINANCIAL STATEMENTS 2003

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MWH EUROPE LIMITED

REPORT AND FINANCIAL STATEMENTS 2003

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

K A Farrer
G P Garrione (resigned 5 May 2004)
B Howard (appointed 5 May 2004)
M Pishiri (appointed 5 May 2004)
M A Tolaney
R Uhler
R Wankmuller

SECRETARY

G Collingwood (resigned 5 May 2004)
V Hall-Sturt (appointed 5 May 2004)

REGISTERED OFFICE

Terriers House
201 Amersham Road
High Wycombe
Buckinghamshire
HP13 5AJ

BANKERS

Barclays Bank plc
PO Box 41
High Wycombe
HP11 2BQ

AUDITORS

Deloitte & Touche LLP
St Albans

MWH EUROPE LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2003.

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 group performed satisfactorily during the year 2003 (as shown on page 6) in spite of difficult business conditions in continental Europe. The year 2004 will be a transition year for the main operating companies because of the transition from AMP3 to AMP4 in the UK. Prospects for AMP4 are looking promising.

DIVIDENDS

The directors recommend the payment of a first interim dividend of £5,000,000 paid on 7 March 2003, a second interim dividend of £5,000,000 paid on 17 March 2003 and a final dividend for the year ended 31 December 2003 of £1,000,000 was paid on 26 February 2004 (2002: £11,844,000).

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 2003	At 31 December 2002	At 31 December 2003	At 31 December 2002
K A Farrer		-	14,990	14,164
G P Garrione	-	-	-	-
B Howard	301	N/a	-	-
M Pishiri	-	-	4,320	N/a
M A Tolaney	137,400	140,023	-	-
R Uhler	71,460	70,648	-	-
R Wankmuller	9,350	8,369	-	-

R Wankmuller, M A Tolaney and R Uhler are also directors of the ultimate parent undertaking, MWH Global Inc. G P Garrione resigned his directorship of MWH Europe Limited on 5 May 2004.

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.

MWH EUROPE LIMITED

DIRECTORS' REPORT

AUDITORS

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

A handwritten signature in black ink, appearing to read 'RW', followed by a horizontal line.

R Wankmuller

Director

31 January 2005

MWH EUROPE LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom 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 2003 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 2003 and of the profit for the year ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

31 January 2005

MWH EUROPE LIMITED

PROFIT AND LOSS ACCOUNT Year ended 31 December 2003

	Note	2003 £'000	2002 £'000
Turnover: group and share of joint ventures	2	127,188	124,531
Less: share of joint venture turnover		(2,725)	(2,515)
GROUP TURNOVER		<u>124,463</u>	<u>122,016</u>
Cost of sales		(58,187)	(54,472)
Gross profit		<u>66,276</u>	<u>67,544</u>
Administrative expenses		(54,841)	(48,453)
GROUP OPERATING PROFIT		<u>11,435</u>	<u>19,091</u>
Share of operating profit in joint ventures		356	482
TOTAL OPERATING PROFIT		<u>11,791</u>	<u>19,573</u>
Interest receivable	5	269	349
Interest payable	5	(953)	(357)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>11,107</u>	<u>19,565</u>
Tax on profit on ordinary activities	6	(3,123)	(6,837)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u>7,984</u>	<u>12,728</u>
Dividends payable on equity shares	7	(11,000)	(11,844)
RETAINED (LOSS)/PROFIT FOR THE FINANCIAL YEAR		<u>(3,016)</u>	<u>884</u>

The results for the year arose entirely from continuing operations.

MWH EUROPE LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Year ended 31 December 2003

	Note	2003 £'000	2002 £'000
Retained (loss)/profit for financial year	18	(3,016)	884
Increase/(reduction) on asset revaluation reserve	19	242	(150)
Exchange movements on retranslation of foreign subsidiaries		(16)	(7)
Total recognised gains and losses		<u>(2,790)</u>	<u>727</u>

MWH EUROPE LIMITED

CONSOLIDATED BALANCE SHEET

31 December 2003

	Note	2003 £'000	2003 £'000	2002 £'000	2002 £'000
FIXED ASSETS					
Intangible assets	8		277		279
Tangible assets	9		4,467		4,308
Investments in joint ventures:					
Share of assets		1,575		1,418	
Share of liabilities		(703)		(622)	
	10		872		796
			5,616		5,383
CURRENT ASSETS					
Amounts falling due after one year	11		1,535		1,528
Amounts falling due within one year	12		69,459		54,662
Cash at bank			2,755		5,762
			73,749		61,952
CREDITORS: amounts falling due within one year	13		(43,079)		(35,883)
NET CURRENT ASSETS			30,670		26,069
TOTAL ASSETS LESS CURRENT LIABILITIES			36,286		31,452
CREDITORS: amounts falling due after more than one year	14		(12,291)		(4,667)
TOTAL NET ASSETS			23,995		26,785
CAPITAL AND RESERVES					
Called up share capital	17		10,000		10,000
Profit and loss account	18		12,924		15,956
Other reserves	19		1,071		829
TOTAL EQUITY SHAREHOLDERS' FUNDS			23,995		26,785

These financial statements were approved by the Board of Directors on 31 January 2005.

Signed on behalf of the Board of Directors



R Wankmüller
Director

MWH EUROPE LIMITED

COMPANY BALANCE SHEET 31 December 2003

	Note	2003 £'000	2002 £'000
FIXED ASSETS			
Investments	10	11,376	11,035
Tangible Assets	9	342	231
		<u>11,718</u>	<u>11,266</u>
CURRENT ASSETS			
Amounts falling due after one year	11	505	385
Amounts falling due within one year	12	25,370	9,233
Cash at bank		387	503
		<u>26,262</u>	<u>10,121</u>
CREDITORS: amounts falling due within one year	13	<u>(7,288)</u>	<u>(3,605)</u>
NET CURRENT ASSETS		<u>18,974</u>	<u>6,516</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		30,692	17,782
CREDITORS: amounts falling due after more than one year	14	<u>(12,000)</u>	<u>(4,268)</u>
TOTAL NET ASSETS		<u>18,692</u>	<u>13,514</u>
CAPITAL AND RESERVES			
Called up share capital	17	10,000	10,000
Profit and loss account	18	8,692	3,514
TOTAL EQUITY SHAREHOLDERS' FUNDS		<u>18,692</u>	<u>13,514</u>

These financial statements were approved by the Board of Directors on 31 January 2005.

Signed on behalf of the Board of Directors



R Wankmuller
Director

NOTES TO THE ACCOUNTS

Year ended 31 December 2003

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; profit/loss at average rates. 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
Plant and equipment	Straight line over 3 years

Fixed asset investments

Investments are carried on a historical cost basis subject to adjustments for impairment.

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 2003

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 BV group or investees of the MWH 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 2003 is attributable to the main activity of the company and is split geographically as follows.

	2003	2002
	£'000	£'000
United Kingdom	108,056	104,372
Rest of Europe	11,776	15,306
Other	7,356	4,853
	<u>127,188</u>	<u>124,531</u>

MWH EUROPE LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2003

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2003 £'000	2002 £'000
The profit for the year is stated after charging/(crediting):		
Amortisation of intangibles	63	88
Depreciation		
Owned assets	779	647
Operating lease charges		
Plant and equipment	1,207	1,224
Other	944	927
Auditors' remuneration		
Audit services	164	164
Non audit services	215	110
Foreign exchange gain	(98)	(216)

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 £5,178,000 (2002: £2,446,000 loss).

4. STAFF COSTS AND ANALYSIS

	2003 £'000	2002 £'000
All employees		
Wages and salaries	42,497	39,420
Social security costs	3,684	2,907
Pension contributions	4,017	3,532
	<u>50,198</u>	<u>45,859</u>
Average number of persons employed	No.	No.
Engineering	1,753	1,567
Marketing	11	11
Administration	296	295
	<u>2,060</u>	<u>1,873</u>
	£'000	£'000
Emoluments of the highest paid director	143	210
Defined benefit pension scheme contributions	11	11
	<u>154</u>	<u>221</u>
Directors' remuneration		
Emoluments	143	455
Pension	11	32
Estimated money value of benefits	9	23
	<u>163</u>	<u>510</u>

Retirement benefits are accruing to 1 director under a defined benefit scheme (2002: 4).

MWH EUROPE LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2003

5. INTEREST

	2003 £'000	2002 £'000
Receivable		
Bank interest	229	338
Other interest	40	11
	<u>269</u>	<u>349</u>
Payable		
Interest payable on bank loans and overdrafts	136	142
Interest paid to Inland Revenue	51	-
Interest paid to group undertakings	766	215
	<u>953</u>	<u>357</u>

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2003 £'000	2002 £'000
United Kingdom corporation tax at 30% (2002 - 30%) based on the profit for the year	3,307	7,005
Overseas taxation	45	187
Adjustments to prior years' tax provisions	(28)	22
	<u>3,324</u>	<u>7,214</u>
Deferred tax		
Timing differences	44	11
Adjustments to the estimated recoverable amounts of deferred tax assets arising in previous periods	(124)	(388)
Adjustments in respect of prior years	(121)	-
	<u>3,123</u>	<u>6,837</u>

MWH EUROPE LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2003

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% (2002: 30%)

The differences are explained below:

	2003 £'000	2002 £'000
Profit on ordinary activities before tax	11,107	19,565
Tax at 30% thereon	3,332	5,870
Effects of:		
Expenses not deductible for tax purposes	121	451
Capital allowances in excess of depreciation	(50)	64
Utilisation of tax losses	56	777
Movement in short term timing differences	-	18
Other deferred tax movements	28	-
Overseas tax rates	(128)	76
Rate differences on current tax	(7)	-
Other adjustments	-	(65)
Disposal proceeds of ineligible assets	-	1
Prior period adjustments	(28)	22
Current tax charge for period	3,324	7,214

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 short-term timing differences as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised is £397,749 (2002: £381,504). The asset would be recovered if sufficient taxable profits were made in future in the relevant entity.

7. DIVIDENDS

	2003 £000	2002 £000
First interim dividend payable 50.0p per ordinary share	5,000	-
Second interim dividend payable 50.0p per ordinary share	5,000	-
Dividends payable 10.0p (2002: 1,273.5p) per ordinary share	1,000	11,844
	11,000	11,844

MWH EUROPE LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2003

8. INTANGIBLE FIXED ASSETS

Group	Goodwill £'000	Other Intangibles £'000	Total £'000
Cost			
At 1 January 2003	357	213	570
Additions	-	61	61
Disposals	-	(133)	(133)
At 31 December 2003	357	141	498
Depreciation			
At 1 January 2003	143	148	291
Charge for the year	36	27	63
Disposals	-	(133)	(133)
At 31 December 2003	179	42	221
Net book value			
At 31 December 2003	178	99	277
At 31 December 2002	214	65	279

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

9. TANGIBLE FIXED ASSETS

Group	Freehold land and buildings £'000	Plant and equipment £'000	Motor vehicles £'000	Total £'000
Cost or valuation				
At 1 January 2003	3,134	3,599	229	6,962
Exchange difference	6	17	17	40
Revaluation	186	-	-	186
Additions	-	671	28	699
Disposals	-	(91)	(95)	(186)
At 31 December 2003	3,326	4,196	179	7,701
Depreciation				
At 1 January 2003	89	2,406	159	2,654
Exchange difference	(4)	(4)	21	13
Revaluation	(56)	-	-	(56)
Charge for the year	71	684	24	779
Disposals	-	(73)	(83)	(156)
At 31 December 2003	100	3,013	121	3,234
Net book value				
At 31 December 2003	3,226	1,183	58	4,467
At 31 December 2002	3,045	1,193	70	4,308

MWH EUROPE LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2003

9. TANGIBLE FIXED ASSETS (CONTINUED)

Freehold land and buildings includes £1,760,000 of non-depreciated land (2002: £1,760,000).

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

	2003 £'000	2002 £'000
Cost	17	16
Depreciation	(12)	(8)
Net book value	5	8

The group's freehold property in High Wycombe was revalued at 31 December 2003 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 2003 resulted in an increase of £242,000 from the valuation for the year 2002. The historical cost of the property included at valuation is as follows:

	Valuation £'000	Cost £'000
Land	1,760	1,372
Building	1,240	799
Accumulated depreciation on buildings	-	(242)
	3,000	1,929

Company	Plant and equipment £'000
Cost or valuation	
At 1 January 2003	231
Additions	248
At 31 December 2003	479
Depreciation	
At 1 January 2003	
Charge for the year	137
At 31 December 2003	137
Net book value	
At 31 December 2003	342
At 31 December 2002	231

MWH EUROPE LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2003

10. INVESTMENTS

	2003 £'000	2002 £'000
Group		
Joint ventures		
Share of assets	1,575	1,418
Share of liabilities	(703)	(622)
	<u>872</u>	<u>796</u>
Investments at 1 January	796	573
Distributions	(280)	(259)
Share of joint venture profit	356	482
	<u>872</u>	<u>796</u>

	Share holding % in ordinary shares	Country of incorp- oration	Principal activity
Joint ventures			
MWH & I (formerly Montgomery Watson Iannou)	49	Cyprus	Consultant Engineers
Watson Khonji	49	Bahrain	Consultant Engineers
Montgomery Watson Gulf Consult	50	Kuwait	Consultant Engineers
MWH Arabtech-Jardaneh	50	Jordan	Consultant Engineers

	2003 £'000	2002 £'000
Company		
Investments at 1 January	11,035	12,952
Additions in the year	-	-
Write up/(down) of value of investments	341	(1,917)
	<u>11,376</u>	<u>11,035</u>

MWH EUROPE LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2003

10. 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%
Integrated Zone Management Limited	England	100%
MWH SPA	Italy	100%
MWH SA	Belgium	100%
Pardevo SA	Belgium	100%
MWH 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 Romania SRL	Romania	100%
MWH d.o.o	Slovenia	100%

The company owns the shares in MWH UK Limited, Montgomery Watson (Asia) Limited, MWH SPA, MWH SA, MWH India Pvt Limited, MWH Pardevo SA, MWH Programme Management Limited, MWH Romania SRL and MWH d.o.o.

MWH UK Limited owns the shares in Montgomery Watson Projects Limited and MWH (IOM) Limited. Integrated Zone Management Limited became a 100% subsidiary on 17 December 2003.

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.

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

	Company		Group	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Other debtors	505	385	505	385
Amounts owed by group undertakings	-	-	1,030	1,143
Amounts owed by group undertakings	505	385	1,535	1,528

MWH EUROPE LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2003

12. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003 £'000	2002 £'000
Group		
Amounts recoverable on contracts	34,396	35,281
Trade debtors net of provisions	27,569	13,009
Amounts owed by group undertakings	2,272	576
Amounts owed by undertakings in which the company has a participating interest	1,420	1,895
Other debtors	2,495	3,012
Prepayments and accrued income	1,307	889
	<u>69,459</u>	<u>54,662</u>
Company		
Amounts owed by undertakings in which the company has a participating interest	24,953	9,233
Other Debtors	417	-
	<u>25,370</u>	<u>9,233</u>

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Company		Group	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Bank overdrafts (note 15)	95	-	95	168
Trade creditors	103	29	5,908	7,763
Amounts owed to group undertakings	6,419	3,207	6,344	2,451
Amounts owed to undertakings in which the company has a participating interest	-	-	1,118	1,002
Fees in advance	-	-	14,391	10,135
Obligations under finance lease	-	-	-	2
Other taxes and social security	-	-	1,887	3,075
Corporation taxation	28	197	1,444	4,366
Other creditors	643	172	9,263	4,926
Accruals and deferred income	-	-	2,629	1,995
	<u>7,288</u>	<u>3,605</u>	<u>43,079</u>	<u>35,883</u>

14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Company		Group	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Amounts owed to undertakings in which the company has a participating interest	12,000	4,170	12,214	4,274
Long term creditor	-	-	77	295
Bank loans (note 15)	-	98	-	98
	<u>12,000</u>	<u>4,268</u>	<u>12,291</u>	<u>4,667</u>

MWH EUROPE LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2003

15. BORROWINGS

Group	2003 £'000	2002 £'000
Due within one year		
Bank overdrafts	95	168
Due after more than one year		
Bank loans	-	98
Payable by instalments		
Within one year	95	-
Between one and two years	-	98
	95	98
Payable other than by instalments		
Within one year	-	168
Total borrowings	95	266

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

16. DEFERRED TAXATION

Group

As at 31 December 2003 and 31 December 2002 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

	2003 £'000	2002 £'000
Opening balance	377	-
Credit to profit and loss account	201	377
Closing asset balance	578	377

MWH EUROPE LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2003

16. DEFERRED TAXATION (CONTINUED)

ANALYSIS OF PROVIDED DEFERRED TAX BALANCE

	2003 £'000	2002 £'000
Capital allowances in excess of depreciation	186	99
Short term timing differences	135	278
Losses	70	-
Pension accrual	187	-
Deferred tax asset	<u>578</u>	<u>377</u>

17. CALLED UP SHARE CAPITAL

	2003 £'000	2002 £'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>

18. PROFIT AND LOSS ACCOUNT

	Company		Group	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
At 1 January	3,514	5,960	15,956	15,079
Exchange movement	-	-	(16)	(7)
Retained profit/(loss) for year	<u>5,178</u>	<u>(2,446)</u>	<u>(3,016)</u>	<u>884</u>
At 31 December	<u>8,692</u>	<u>3,514</u>	<u>12,924</u>	<u>15,956</u>

19. OTHER RESERVES

Group	Revaluation reserve £'000
At 1 January 2003	829
Increase in the year (note 9)	<u>242</u>
At 31 December 2003	<u>1,071</u>

NOTES TO THE ACCOUNTS

Year ended 31 December 2003

20. 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. The actuarial valuation of CMIG at 1 April 2002 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 2002 was £22,735,900 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 2003, the employer paid 11% contributions and the employees paid 5% of pensionable salaries. The company contributions made in the year ended amounted to £3,466,000 (2002: £3,092,000).

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 her 31 December 2003, 31 December 2002 and 31 December 2001 reviews were:

	2003	2002	2001
Inflation assumption	2.8%	2.3%	2.4%
Increase for pensions	2.8%	2.3%	2.4%
Salary scale increase pre annum	4.8%	5.3%	5.4%
Discount rate for liabilities	6.0%	5.4%	5.8%

MWH EUROPE LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2003

20. PENSION SCHEME (CONTINUED)

The fair value of the assets at 31 December 2003, 31 December 2002 and 31 December 2001 and the expected rate of return for each category of assets is as follows:

	2003 Expected rate of return	2003 Value of assets £'000	2002 Expected rate of return	2002 Value of assets £'000	2001 Expected rate of return	2001 Value of assets £'000
Equities	8.8%	-	8.8%	-	8.4%	-
Property	7.8%	-	7.3%	-	7.4%	-
Bonds	5.0%	-	4.8%	-	4.9%	-
Group pension contract	5.1%	39,500	5.4%	33,700	6.7%	22,700
Cash and other net assets	3.8%	200	4.0%	(1,100)	4.0%	-
Deficit in the scheme		<u>39,700</u>		<u>32,600</u>		<u>22,700</u>

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 2003 was £15.8m being the difference between the fair value of the assets of £39.7m and the then present value of the liabilities on the above assumptions of £55.5m.

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.

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 individual components of the defined benefit cost that would be included within the profit and loss account:

	As at 31 December 2003 £'000	As at 31 December 2002 £'000
Current service cost	(4,500)	(3,700)
Total operating charge	<u>(4,500)</u>	<u>(3,700)</u>
Expected return of the assets	1,900	1,800
Interest cost	<u>(3,000)</u>	<u>(2,200)</u>
Other finance income	<u>(1,100)</u>	<u>(400)</u>

MWH EUROPE LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2003

20. PENSION SCHEME (CONTINUED)

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

	As at 31 December 2003 £'000	As at 31 December 2002 £'000
Actual return less expected return on assets	300	(100)
Experience gains and losses arising on the scheme liabilities	(200)	(5,800)
Change in basis – financial	6,800	(4,200)
Actuarial loss recognised in STRGL	6,900	(10,100)

Analysis of the movement in the scheme deficit during the year:

	As at 31 December 2003 £'000	As at 31 December 2002 £'000
Opening deficit in the scheme	(20,400)	(8,800)
Current service cost	(4,500)	(3,700)
Contributions	3,300	3,092
Finance income	(1,100)	(400)
Actuarial gains/(losses)	6,900	(10,592)
Closing deficit in the scheme	(15,800)	(20,400)

Profit and loss reserve note:

	As at 31 December 2003 £'000	As at 31 December 2002 £'000
Profit and loss reserve excluding pension liability	12,924	15,956
Pension reserve	(15,800)	(20,400)
Profit and loss reserve	(2,876)	(4,444)

MWH EUROPE LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2003

21. 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 2003 £000	Other 2003 £000	Land and Buildings 2002 £000	Other 2002 £000
Lease which expire:				
Within one year	1	278	109	377
Within two to five years	268	988	222	1,187
After five years	411	4	500	6
	<u>680</u>	<u>1,270</u>	<u>831</u>	<u>1,570</u>

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

22. MOVEMENT IN SHAREHOLDERS' FUNDS

Group	2003 £000	2002 £000
Retained (loss)/profit for the financial year	(3,016)	884
Other recognised gains and losses	(16)	(7)
	<u>(3,032)</u>	<u>877</u>
Asset revaluation/(reduction)	242	(150)
	<u>(2,790)</u>	<u>727</u>
Net additions to shareholders funds	26,785	26,058
Shareholders funds brought forward	<u>23,995</u>	<u>26,785</u>

23. CONTINGENT LIABILITIES AND CAPITAL EXPENDITURE

At 31 December 2003, the group had contingent liabilities in respect of normal trading guarantees given to its bankers amounting to £2,600,000 (2002: £4,998,000). The company had no capital expenditure commitments approved but not contracted for as at 31 December 2003 (2002: nil).

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 BV, a company incorporated in the Netherlands.