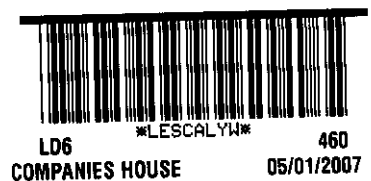


MWH EUROPE LIMITED

Report and Financial Statements

Year ended 31 December 2005



MWH EUROPE LIMITED

REPORT AND FINANCIAL STATEMENTS 2005

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MWH EUROPE LIMITED

REPORT AND FINANCIAL STATEMENTS 2005

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

K Farrer (Resigned 27 April 2006)
B Howard
M Pishiri
M Tolaney (Resigned 27 April 2006)
R Uhler
R Wankmuller
M Valcamonica
D Smith (Resigned 27 April 2006)
A D Nickols (Appointed 27 April 2006)
I McAulay (Appointed 27 April 2006)

SECRETARY

V Hall-Sturt

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

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2005.

ACTIVITIES

MWH Europe Limited is the holding company of a group of mainly consultant engineering companies engaged in the areas of water supply, pollution control, waste disposal and environmental management.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

Group operating profit rose significantly, due to improved contractual terms on the AMP4 programmes and successful closeout of AMP3 programmes. Profitability returned to our Italian operations, but conditions remained difficult in Northern Europe. Prospects look strong for the group for the coming years, and continued growth is planned.

DIVIDENDS

The directors do not recommend the payment of a dividend for the year ended 31 December 2005 (2004: £8,000,000).

DIRECTORS AND THEIR INTERESTS

The directors who served during the year and subsequently are listed below. No director had any interest in the shares of the company or other UK group companies. Their interests in the share capital of the group parent company (split between MWH Inc Global and MWH Holding BV) as at 31 December 2005 and 2004 are as follows:

Director	Number of MWH Global Inc shares		Number of MWH Holding BV shares	
	At 31 December 2005	At 31 December 2004	At 31 December 2005	At 31 December 2004
K Farrer	-	-	15,858	15,858
B Howard	2,417	1,482	-	-
M Pishiri	-	-	5,476	5,128
M Tolaney	137,400	137,400	-	-
R Uhler	69,660	71,060	-	-
M Valcamonica	-	-	431	100
D Smith	41,100	44,200	-	-
R Wankmuller	11,894	11,049	-	-

R Wankmuller, M A Tolaney, R Uhler and D Smith are also directors of the ultimate parent undertaking, MWH Global Inc.

EMPLOYEES

Consultation with the group's employees occurs at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests, and so that all employees are aware of the financial economic performance of their business units and of the company as a whole. Bimonthly meetings are held with employee representatives to discuss sales, financial position and prospects. Opportunity is given at these meetings for senior executives to be questioned about matters that concern employees. In-house magazines and newsletters are distributed monthly to all employees which include articles on the company's performance and plans. We encourage the involvement of all employees in the performance of the company through the employee share scheme.

DIRECTORS' REPORT

EMPLOYEES (continued)

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.

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 and signed on behalf of the Board



A D Nickols

Director

22 December 2006

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements. The directors have chosen to prepare the accounts for the company in accordance with United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare such financial statements for each financial year which give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice of the state of affairs of the company and of the profit or loss of the company for that period and comply with UK GAAP and the Companies Act 1985. In preparing those financial statements, the directors are required to:

- (a) select suitable accounting policies and then apply them consistently;
- (b) make judgements and estimates that are reasonable and prudent;
- (c) state whether applicable accounting standards have been followed;
- (d) 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 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 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 UK Limited for the year ended 31 December 2005 which comprise the consolidated profit and loss account, the statement of total recognised gains and losses, the consolidated and company balance sheets and the related notes 1 to 25. 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

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with the relevant financial reporting framework, and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions 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 International Standards on Auditing (UK and Ireland) 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MWH EUROPE LIMITED (continued)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group and company's affairs as at 31 December 2005 and of its profit for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
St Albans

3 January 2007

CONSOLIDATED PROFIT AND LOSS ACCOUNT
Year ended 31 December 2005

	Note	2005 £'000	2004 as restated £'000
GROUP TURNOVER	2	109,286	111,074
Cost of sales		(45,268)	(59,616)
Gross profit		64,018	51,458
Administrative expenses		(44,483)	(36,115)
GROUP OPERATING PROFIT		19,535	15,343
Share of operating profit in joint ventures		268	44
OPERATING PROFIT	3	19,803	15,387
Interest receivable	5	212	183
Interest payable	5	(437)	(1,068)
Other finance costs	21	(1,328)	(1,300)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		18,250	13,202
Tax on profit on ordinary activities	6	(5,988)	(5,076)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	18	12,262	8,126

The results for the year arose entirely from continuing operations. The profit and loss account has been restated following the full implementation of FRS 17 in respect of the group's pension schemes. Full details of the impact are given in note 25.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Year ended 31 December 2005

	Note	2005 £'000	2004 as restated £'000
Retained profit for financial year	18	12,262	8,126
Dividends	7	-	(8,000)
Increase on asset revaluation reserve	19	-	155
Exchange movements on retranslation of foreign subsidiaries	18	(99)	(61)
Actuarial gain / (loss) on the defined benefit pension scheme	21	787	(3,300)
Tax on actuarial gain / (loss) on the defined benefit pension scheme		(236)	990
Total recognised gains and losses		<u>12,714</u>	<u>(2,090)</u>
Note on prior period adjustment:			
Total recognised gains and losses related to the year as above		12,714	
Prior period adjustment (as explained in note 25)		<u>(14,630)</u>	
Total gains and losses recognised since the last financial statements		<u>(1,916)</u>	

The statement of total recognised gains and losses has been restated following the full implementation of FRS 17 in respect of the group's pension schemes. Full details of the impact are given in note 25.

CONSOLIDATED BALANCE SHEET
31 December 2005

	Note	2005 £'000	2005 £'000	2004 as restated £'000	2004 as restated £'000
FIXED ASSETS					
Intangible assets	8		157		206
Tangible assets	9		4,546		4,023
Investments in joint ventures:					
Share of assets		4,326		1,507	
Share of liabilities		(3,185)		(669)	
	10		1,141		838
			5,844		5,067
CURRENT ASSETS					
Debtors : Amounts falling due after one year	11		1,523		1,338
Debtors : Amounts falling due within one year	12		49,120		50,988
Cash at bank			8,688		5,063
			59,331		57,389
CREDITORS: amounts falling due within one year	13		(26,849)		(36,585)
NET CURRENT ASSETS			32,482		20,804
TOTAL ASSETS LESS CURRENT LIABILITIES			38,326		25,871
CREDITORS: amounts falling due after more than one year	14		(404)		(396)
NET ASSETS excluding pension liabilities			37,922		25,475
Pension Liabilities	21		(14,363)		(14,630)
NET ASSETS including pension liabilities			23,559		10,845
CAPITAL AND RESERVES					
Called up share capital	17		10,000		10,000
Profit and loss account	18		12,333		(381)
Other reserves	19		1,226		1,226
SHAREHOLDERS' FUNDS	20		23,559		10,845

The balance sheet has been restated following the full implementation of FRS 17 in respect of the group's pension schemes. Full details of the impact are given in note 25.

These financial statements were approved by the Board of Directors on *22 December* 2006.

Signed on behalf of the Board of Directors

A D Nickols

Director

COMPANY BALANCE SHEET
31 December 2005

	Note	2005 £'000	2004 £'000
FIXED ASSETS			
Investments	10	10,940	11,358
Tangible assets	9	27	189
		<u>10,967</u>	<u>11,547</u>
CURRENT ASSETS			
Debtors : Amounts falling due after one year	11	341	376
Debtors : Amounts falling due within one year	12	7,635	8,647
Cash at bank		836	1,666
		<u>8,812</u>	<u>10,689</u>
CREDITORS: amounts falling due within one year	13	<u>(14,458)</u>	<u>(13,708)</u>
NET CURRENT LIABILITIES		<u>(5,646)</u>	<u>(3,019)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		5,321	8,528
TOTAL NET ASSETS		<u>5,321</u>	<u>8,528</u>
CAPITAL AND RESERVES			
Called up share capital	17	10,000	10,000
Profit and loss account	18	<u>(4,679)</u>	<u>(1,472)</u>
SHAREHOLDERS' FUNDS		<u>5,321</u>	<u>8,528</u>

These financial statements were approved by the Board of Directors on *22 December* 2006.

Signed on behalf of the Board of Directors



A D Nickols

Director

NOTES TO THE ACCOUNTS

Year ended 31 December 2005

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom 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 in accordance with FRS 15 'Tangible Fixed Assets'.

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.

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.

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 2005

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 on a straight line basis as incurred.

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. This Scheme was closed to new members in April 2005 and has been replaced by a new defined contribution scheme.

Cash flow statement and related party disclosures

The Group has taken advantage of the exemption from preparing a cash flow statement under paragraph 5(a) of Financial Reporting Standard 1. The company is also exempt under paragraph 3(c) of Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of the MWH Holding BV group or investees of the MWH Holding BV group.

NOTES TO THE ACCOUNTS

Year ended 31 December 2005

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 periods ended 31 December 2005 and 2004 is attributable to the principal activity of the company and is split geographically as follows.

	2005 £'000	2004 £'000
United Kingdom	87,182	93,213
Rest of Europe	12,796	16,604
Rest of the world	9,308	1,257
	<u>109,286</u>	<u>111,074</u>

3. OPERATING PROFIT

	2005 £'000	2004 £'000
Operating profit for the year is stated after charging/(crediting):		
Amortisation of intangibles	47	78
Depreciation		
Owned assets	735	670
Operating lease charges		
Plant and equipment	1,504	1,647
Other	2,009	2,394
Auditors' remuneration		
Audit services (company)	28	24
Audit services (group)	153	136
Non audit services	359	268
Foreign exchange losses/(gain)	168	(55)
	<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 £3,207,000 (2004: £10,164,000 loss).

4. STAFF COSTS AND ANALYSIS

	2005 £'000	2004 as restated £'000
All employees		
Wages and salaries	40,396	37,679
Social security costs	4,363	3,121
Other pension costs	4,373	4,750
	<u>49,132</u>	<u>45,550</u>

Interest costs, expected return on assets and actuarial gains and losses are excluded from other pension costs disclosed above.

NOTES TO THE ACCOUNTS
Year ended 31 December 2005

4. STAFF COSTS AND ANALYSIS (CONTINUED)

	2005	2004
Average number of persons employed	No.	No.
Engineering	1,119	1,448
Marketing	2	11
Administration	201	199
	<u>1,322</u>	<u>1,658</u>
	2005	2004
	£'000	£'000
Emoluments of the highest paid director	185	179
Defined contribution pension scheme contributions	12	8
	<u>197</u>	<u>187</u>
Directors' remuneration		
Emoluments	185	179
Pension contributions	12	8
Estimated money value of benefits	21	36
	<u>218</u>	<u>223</u>

Retirement benefits are accruing to 1 director under a defined contribution scheme (2004: 1).

5. INTEREST

	2005	2004
	£'000	£'000
Receivable		
Bank interest	212	153
Other interest	-	30
	<u>212</u>	<u>183</u>
Payable		
Interest payable on bank loans and overdrafts	65	220
Interest paid to group undertakings	372	848
	<u>437</u>	<u>1,068</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2005

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2005 £'000	2004 as restated £'000
United Kingdom corporation tax at 30% (2004 - 30%) based on the profit for the year	6,059	4,638
Overseas taxation	144	119
Adjustments to prior years' tax provisions	(316)	454
	<u>5,887</u>	<u>5,211</u>
Deferred tax		
Timing differences	101	128
Adjustments to the estimated recoverable amounts of deferred tax assets arising in previous periods	-	(398)
Adjustments in respect of prior years	-	135
	<u>5,988</u>	<u>5,076</u>

FACTORS AFFECTING TAX CHARGE FOR THE CURRENT PERIOD

The tax assessed for the period is higher (2004 : higher) than that resulting from applying the standard rate of corporation tax in the UK: 30% (2004: 30%). The differences are explained below:

	2005 £'000	2004 as restated £'000
Profit on ordinary activities before tax	<u>18,250</u>	<u>13,202</u>
Tax at 30% thereon	5,475	3,961
Effects of:		
Expenses not deductible for tax purposes	676	718
Capital allowances in excess of depreciation	(3)	(41)
Movement in short term timing differences	-	(38)
Other deferred tax movements	-	(29)
Overseas tax rates	7	-
UK dividend income	-	116
Joint venture income	-	70
Prior period adjustments	(268)	454
	<u>5,887</u>	<u>5,211</u>

7. DIVIDENDS

	2005 pence per share	2004 pence per share	2005 £'000	2004 £'000
Final Dividend	<u>-</u>	<u>80</u>	<u>-</u>	<u>8,000</u>

NOTES TO THE ACCOUNTS

Year ended 31 December 2005

8. INTANGIBLE FIXED ASSETS

Group	Goodwill £'000	Other Intangibles £'000	Total £'000
Cost			
At 1 January 2005	357	148	505
Exchange difference	-	(8)	(8)
Disposals	-	(55)	(55)
At 31 December 2005	357	85	442
Amortisation			
At 1 January 2005	215	84	299
Exchange difference	-	(6)	(6)
Charge for the year	36	11	47
Disposals	-	(55)	(55)
At 31 December 2005	251	34	285
Net book value			
At 31 December 2005	106	51	157
At 31 December 2004	142	64	206

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 2005	3,280	4,317	160	7,757
Exchange differences	11	9	(2)	18
Additions	-	1,248	12	1,260
Disposals	-	(238)	(51)	(289)
At 31 December 2005	3,291	5,336	119	8,746
Depreciation				
At 1 January 2005	60	3,562	112	3,734
Exchange differences	4	3	(1)	6
Charge for the year	62	649	24	735
Disposals	-	(231)	(44)	(275)
At 31 December 2005	126	3,983	91	4,200
Net book value				
At 31 December 2005	3,165	1,353	28	4,546
At 31 December 2004	3,220	755	48	4,023

Freehold land and buildings includes £1,760,000 of non-depreciated land (2004: £1,760,000).

NOTES TO THE ACCOUNTS

Year ended 31 December 2005

9. TANGIBLE FIXED ASSETS (CONTINUED)

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

	2005 £'000	2004 £'000
Cost	17	10
Depreciation	(7)	(6)
Net book value	10	4

The group's freehold property in High Wycombe was revalued at 31 December 2004 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 historical cost of the property included at valuation is as follows:

	Valuation £'000	Cost £'000
Land	1,835	1,372
Building	1,265	799
Accumulated depreciation on buildings	(57)	(354)
	3,043	1,817

Company

Cost

At 1 January and 31 December 2005

488

Depreciation

At 1 January 2005

299

Charge for the year

162

At 31 December 2005

461

Net book value

At 31 December 2005

27

At 31 December 2004

189

NOTES TO THE ACCOUNTS
Year ended 31 December 2005

10. INVESTMENTS

	2005	2004
	£'000	£'000
Group		
Joint ventures		
Share of assets	4,326	1,507
Share of liabilities	(3,185)	(669)
	<u>1,141</u>	<u>838</u>
Investments at 1 January	1,100	872
Exchange differences	(34)	-
Distributions	(83)	(78)
Share of joint venture profit	158	44
Investments at 31 December	<u>1,141</u>	<u>838</u>

	Share holding % in ordinary shares	Country of incorporation	Principal activity
Joint ventures			
MWH & I	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
Watermark (Yorkshire) Limited	50	UK	Consultant Engineers
4Delivery Limited	20	UK	Consultant Engineers

The joint ventures with 4Delivery Limited and Watermark (Yorkshire) Limited commenced on 1 April 2005. The accounting period for both 4Delivery Limited and Watermark (Yorkshire) Limited ends on 31 March. These accounts incorporate the unaudited results of both companies for the nine months ending 31 December 2005.

	2005	2004
	£'000	£'000
Company		
Investments at 1 January	11,358	11,376
Additional investment in MWH SA	1,404	-
Write up / (down) of value of investments	(1,822)	(18)
Investments at 31 December	<u>10,940</u>	<u>11,358</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2005

10. INVESTMENTS (CONTINUED)

Principal Subsidiary Undertakings

Company	Country of incorporation	% of Equity Owned
MWH Programme Management Limited	UK	100%
MWH UK Limited	UK	100%
MWH (IOM) Limited	Isle of Man	100%
Integrated Zone Management Limited	UK	100%
MWH SPA	Italy	100%
MWH SA	Belgium	100%
Pardevo SA	Belgium	100%
MWH India Pvt Limited	India	100%
Montgomery Watson Projects Limited	UK	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 d.o.o ceased to trade during 2005 and was wound up on 31 May 2006.

MWH UK Limited owns the shares in Montgomery Watson Projects Limited, MWH (IOM) Limited and Integrated Zone Management Limited. Montgomery Watson Projects Limited and Integrated Zone Management Limited are non-trading companies.

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	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Other debtors	341	376	345	376
Amounts owed by group undertakings	-	-	1,178	962
	<u>341</u>	<u>376</u>	<u>1,523</u>	<u>1,338</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2005

12. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Company		Group	
	2005	2004	2005	2004
	£'000	£'000	£'000	as restated £'000
Amounts recoverable on contracts	-	-	31,189	31,772
Trade debtors net of provisions	-	-	12,321	14,526
Amounts owed by group undertakings	697	59	1,861	714
Amounts owed by undertakings in which the company has a participating interest	6,540	7,960	190	3
Deferred taxation	51	33	547	713
Corporation tax	-	-	745	519
Other debtors	347	595	1,739	2,143
Prepayments and accrued income	-	-	528	598
	<u>7,635</u>	<u>8,647</u>	<u>49,120</u>	<u>50,988</u>

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Company		Group	
	2005	2004	2005	2004
	£'000	£'000	£'000	as restated £'000
Bank overdrafts (note 15)	-	-	-	232
Trade creditors	63	72	4,615	5,189
Amounts owed to group undertakings	3,193	12,293	4,866	12,689
Amounts owed to undertakings in which the company has a participating interest	10,863	680	8	-
Obligations under finance lease	-	-	6	11
Other taxes and social security	8	-	3,533	3,301
Corporation taxation	11	418	3,529	3,418
Other creditors	134	170	5,072	4,137
Accruals and deferred income	186	75	5,220	7,608
	<u>14,458</u>	<u>13,708</u>	<u>26,849</u>	<u>36,585</u>

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

	Company		Group	
	2005	2004	2005	2004
	£'000	£'000	£'000	as restated £'000
Other creditors	<u>-</u>	<u>-</u>	<u>404</u>	<u>396</u>

NOTES TO THE ACCOUNTS Year ended 31 December 2005

15. BORROWINGS

	2005 £'000	2004 £'000
Group		
Due within one year		
Bank overdrafts	-	232

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

As at 31 December 2005 and 31 December 2004 no amounts have been provided in respect of deferred taxation liabilities.

MOVEMENT ON DEFERRED TAXATION ASSET BALANCE IN THE PERIOD

	Company		Group	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Opening balance	33	-	713	578
Credit / (charge) to profit and loss account	18	33	(166)	135
Closing asset balance	51	33	547	713

ANALYSIS OF PROVIDED DEFERRED TAXATION BALANCE

	Company		Group	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Capital allowances in excess of depreciation	9	9	385	382
Short term timing differences	-	-	-	91
Losses	-	-	120	120
Intercompany interest deductible in a later period	42	24	42	24
Pension accrual	-	-	-	96
Deferred tax asset	51	33	547	713

NOTES TO THE ACCOUNTS
Year ended 31 December 2005

17. CALLED UP SHARE CAPITAL

	2005 £'000	2004 £'000
Group and Company		
Authorised		
20,000,000 ordinary shares of £1 each	20,000	20,000
Called up, allotted and fully paid		
10,000,000 ordinary shares of £1 each	10,000	10,000

18. PROFIT AND LOSS ACCOUNT

	Company		Group	
	2005	2004	2005	2004 as restated
	£'000	£'000	£'000	£'000
At 1 January	(1,472)	8,692	(381)	1,864
Exchange movement	-	-	(99)	(61)
Actuarial gain / (loss) on the defined benefit pension scheme	-	-	787	(3,300)
Tax on actuarial gain / (loss) on the defined benefit pension scheme	-	-	(236)	990
Retained (loss) / profit for year	(3,207)	(2,164)	12,262	8,126
Dividend	-	(8,000)	-	(8,000)
At 31 December	(4,679)	(1,472)	12,333	(381)
Retained (loss) / profit	(4,679)	(1,472)	26,696	14,249
Pension liabilities	-	-	(14,363)	(14,630)
	(4,679)	(1,472)	12,333	(381)

19. OTHER RESERVES

Group

	£'000	£'000
Revaluation reserve		
At 1 January	1,226	1,071
Increase in the year	-	155
At 31 December	1,226	1,226

NOTES TO THE ACCOUNTS

Year ended 31 December 2005

20. MOVEMENT IN SHAREHOLDERS' FUNDS

Group	2005 £'000	2004 as restated £'000
Retained profit for the financial year	12,262	8,126
Dividends	-	(8,000)
Actuarial gain / (loss) on the defined benefit pension scheme	787	(3,300)
Tax on actuarial gain / (loss) on the defined benefit pension scheme	(236)	990
Other recognised gains and losses	(99)	(61)
	12,714	(2,245)
Asset revaluation	-	155
	12,714	(2,090)
Net additions / (reductions) to shareholders funds	10,845	12,935
Shareholders funds brought forward	23,559	10,845

21. PENSION SCHEMES

Certain subsidiaries within the company's group operate a defined benefit pension scheme. This scheme was closed to new members on 1 April 2005 and no further benefits will accrue to existing members from that date. The scheme has been replaced by a new defined contribution scheme.

The assets of the defined benefit scheme are held separately from those of the company in an independent fund administered by Clerical Medical Investment Group Limited. The scheme is subject to triennial actuarial valuations. The last valuation was carried out as at 1 April 2005. The actuarial valuation at 1 April 2005 indicated that there was a deficit (i.e. the scheme's assets existing on the effective date did not fully cover its liabilities as at the date). The market value of the assets of the scheme (excluding members' Additional Voluntary Contributions) at the date of the actuarial valuation was £45,206,000. However the actuarial total liabilities at the valuation date (excluding members' Additional Voluntary Contributions) were £69,624,000. Consequently the assets cover only 65% of the liabilities. In accordance with the actuary's recommendations the company intends to fund this deficit by additional contributions over the 15 years commencing in April 2005.

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.

NOTES TO THE ACCOUNTS
Year ended 31 December 2005

21. PENSION SCHEMES (CONTINUED)

Assumptions used:

Rate of interest of 6.0% per annum, allowances for increases in members' earnings of 5.0% per annum, LPI increases of 2.75% per annum and an investment return on the fund (net of expenses) of 6.0% per annum.

The agreed company contribution rates for 2005 were 11.4% of pensionable salaries for divisions 1, 4 and 6, 17.4% of pensionable salaries for division 3 and 18.1% of pensionable salaries for division 5. Benefit accrual ceased on 1 April 2005 and contributions were reduced to those required in respect of any underfunding. A company contribution of approximately £2,000,000 per annum is expected to be paid going forward, covering all divisions of the scheme. In addition administration expenses and the cost of insuring the lump sum death in service benefit are payable on top of this amount. Overall this results in the company's contributions rate to fund the actuarial deficit being 8.6 % per annum.

The major assumptions used by the actuary in the 31 December 2005, 31 December 2004 and 31 December 2003 reviews were:

	2005	2004	2003
Inflation assumption	2.5%	2.8%	2.8%
Increase for pensions	2.5%	2.8%	2.8%
Salary scale increase pre annum	4.0%	4.8%	4.8%
Statutory Revaluation in deferment	2.5%	2.8%	2.8%
Discount rate for liabilities	5.0%	5.7%	6.0%

The fair value of the assets at 31 December 2005, 31 December 2004 and 31 December 2003 and the expected rate of return for each category of assets is as follows:

	2005 Expected rate of return	2005 Value of assets £'000	2004 Expected rate of return	2004 Value of assets £'000	2003 Expected rate of return	2003 Value of assets £'000
Group pension contract	7.0%	52,670	5.6%	47,800	5.1%	39,500
Cash and other net assets	4.0%	-	4.8%	-	3.8%	200
Total fair value of assets		52,670		47,800		39,700
Present value of liabilities		(73,188)		(68,700)		(55,500)
Deficit in scheme		(20,518)		(20,900)		(15,800)
Deferred Tax		6,155		6,270		4,740
Deficit after Taxation		(14,363)		(14,630)		(11,060)

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.

NOTES TO THE ACCOUNTS
Year ended 31 December 2005

21. PENSION SCHEMES (CONTINUED)

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

	2005 £'000	2004 £'000
Current service cost	1,188	(4,200)
Total operating charge	<u>1,188</u>	<u>(4,200)</u>
Expected return of the assets	2,684	2,100
Interest cost	<u>(4,012)</u>	<u>(3,400)</u>
Other finance costs	<u>(1,328)</u>	<u>(1,300)</u>

As the scheme is closed under the projected unit method the current service cost will increase as the members of the scheme approach retirement.

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

	2005 £'000	2004 £'000
Actual return less expected return on assets	1,904	1,900
Experience gains and losses arising on the scheme liabilities	3,585	(100)
Effects of changes in assumptions underlying the present value of scheme liabilities	<u>(4,702)</u>	<u>(5,100)</u>
Actuarial gain /(loss) recognised in STRGL	<u>787</u>	<u>(3,300)</u>

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

	2005 £'000	2004 £'000
Opening deficit in the scheme after taxation	(14,630)	(11,060)
Current service cost	(1,188)	(4,200)
Contributions	2,111	3,700
Finance income	(1,328)	(1,300)
Actuarial gains/(losses)	787	(3,300)
Taxation	<u>(115)</u>	<u>1,530</u>
Closing deficit in the scheme after taxation	<u>(14,363)</u>	<u>(14,630)</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2005

21. PENSION SCHEMES (CONTINUED)

History of experience gains and losses:

	2005	2004	2003	2002
Difference between the expected and actual return on scheme assets:				
Amount (£'000)	1,904	1,900	300	(100)
Percentage of scheme assets	3.6%	4.0%	0.8%	(0.2)%
Experience gains and losses on scheme liabilities:				
Amount (£'000)	3,585	(100)	(200)	(5,800)
Percentage of the present value of scheme liabilities	4.9%	(0.2)%	(0.4)%	(10.9)%
Total actuarial (loss)/gain in the statement of total recognised gains and losses:				
Amount (£'000)	787	(3,300)	6,900	(10,100)
Percentage of the present value of scheme liabilities	1.1%	(4.8)%	12.4%	(19.1)%

The group also operates a number of defined contribution schemes for which the pension cost charge for the year amounted to £3,185,000 (2004: £550,000).

22. 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 2005 £000	Other 2005 £000	Land and Buildings 2004 £000	Other 2004 £000
Lease which expire:				
Within one year	87	147	977	451
Within two to five years	580	640	736	510
After five years	486	-	395	2
	1,153	787	2,108	963

Finance lease commitments are £ 6,000 (2004: £2,000) over the next year.

23. CONTINGENT LIABILITIES AND CAPITAL EXPENDITURE

At 31 December 2005, the group had contingent liabilities in respect of normal trading guarantees given to its bankers amounting to £3,413,000 (2004: £1,533,000).

The company had no capital expenditure commitments approved but not contracted for as at 31 December 2005 (2004: nil).

NOTES TO THE ACCOUNTS

Year ended 31 December 2005

24. ULTIMATE PARENT UNDERTAKING

The company's ultimate parent, controlling undertaking and the largest group company in which its results are consolidated is MWH Global Inc., a company incorporated in the United States of America. The consolidated financial statements of MWH Global Inc. are available to the public from Suite 200, 380 Interlocken Crescent, Broomfield, Colorado 80021, USA.

The immediate parent undertaking and the smallest group accounts in which its results are consolidated is MWH Holding BV, a company incorporated in the Netherlands. The consolidated financial statements of MWH Holding BV are available to the public from Forum Administrators BV, Weena 336, 3012 NJ, Rotterdam, The Netherlands.

25. PRIOR PERIOD ADJUSTMENT

The Group has now fully implemented FRS17 in respect of the Group's pension scheme and accordingly the comparative figures for the Group for 2004 have been restated to reflect this change in accounting policy. No restatement is necessary in respect of the company's own figures.

Profit and Loss Account

	Per 2005 Accounts	FRS 17 Adjustment	2005 as restated	Per 2004 Accounts	FRS 17 Adjustment	2004 as restated
	£'000	£'000	£'000	£'000	£'000	£'000
Administrative Expenses	(44,056)	923	(43,133)	(35,615)	(500)	(36,115)
Other Finance Costs	-	(1,328)	(1,328)	-	(1,300)	(1,300)
Taxation	(6,110)	122	(5,988)	(5,616)	540	(5,076)
Profit on Ordinary Activities after Taxation	12,545	(283)	12,262	1,386	(1,260)	126

Statement of Total Recognised Gains and Losses

The effect of implementing FRS 17 is shown in full on page 8

Consolidated Balance Sheet

The only effect on the Consolidated Balance Sheet is the inclusion of the pension liabilities amount which is shown separately on the face of the Consolidated Balance Sheet on page 9.