

**MWH EUROPE LIMITED**

**Report and Financial Statements**

**Year ended 31 December 2007**

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# **MWH EUROPE LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2007**

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# **MWH EUROPE LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2007**

### **OFFICERS AND PROFESSIONAL ADVISERS**

#### **DIRECTORS**

R Uhler  
M Valcamonica  
A D Nickols  
A Fountain (appointed 1 April 2007)  
I Noble (appointed 13 August 2007)  
J Pike (appointed 13 August 2007)  
D Smith (appointed 22 February 2008)  
I McAulay (resigned 12 April 2007)  
B Howard (resigned 12 April 2007)  
M Pishiri (resigned 11 July 2007)  
R Wankmuller (resigned 27 July 2007)

#### **SECRETARY**

V Hall-Sturt

#### **REGISTERED OFFICE**

Terners House  
201 Amersham Road  
High Wycombe  
Buckinghamshire  
HP13 5AJ

#### **BANKERS**

Barclays Bank plc  
PO Box 41  
High Wycombe  
HP11 2BQ

#### **AUDITORS**

Deloitte & Touche LLP  
Chartered Accountants and Registered Auditors  
St Albans

## **DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the year ended 31 December 2007

### **ACTIVITIES**

MWH Europe Limited is a holding company of a group of consultant engineering companies, and operates as the Europe, Middle East, Africa and India (EMEA) division of MWH Global Inc, a US corporation. The principal activities of the group are management consulting, programme management, engineering and consultancy to the water industry in addition to other infrastructure sectors, and pollution control, waste disposal and management of the environment.

### **BUSINESS REVIEW**

- **Market Conditions/New & Developing Markets**

The UK market for water engineering services, which continues to be the largest business sector for MWH Europe Ltd, is healthy. 2007 has seen the regulated water industry pass the mid point in the England and Wales AMP (Asset Management Plan) 5 year investment cycle (AMP4). After 2007 (to the next renewal in April 2010) the market typically slows. The Scotland investment cycle with Quality and Standards (Q&SIII) is underway, the next round of planning for Q&SIIIB in 2010 has commenced. Northern Ireland is an emerging AMP market and we have won new work in 2007 to expand our Belfast office. There has been progress in growing our Natural and Built Environment and Business Solutions services. Currently there is a shortage of engineering labour resource in our sector of the UK construction industry.

In continental Europe, the market continues to be slow in the water/infrastructure fields while it is growing in the environmental and energy sectors. The EU funded projects are stable in terms of opportunities.

The Middle East economy is strong with significant investment of regional oil wealth into the region. Huge development programmes and a growing environmental awareness should create opportunities for MWH.

- **Regulatory Situation**

In the UK, in our major water sector market, OFWAT regulation remains stable. The next regulatory review period [PR09] has commenced and is forecast to be completed by the end of 2009, with the next AMP cycle starting in April 2010.

- **Competition**

In Continental Europe the competition is consolidating. In the UK, we have maintained our position as the top consultant in the water sector in 2007. Our strategy is to maintain our position as top water consultant and to grow in environmental and waste services to become a top 5 company in those UK sectors.

In the Middle East, low price competition from regional companies in our traditional sectors is leading MWH to reposition itself.

- **Other Market Trends**

The environment market remains healthy with new demand from climate change and continuing demand for water resource and disposal. In Continental Europe, the trend of the market is in the direction of a growing demand for consulting services, and we expect to continue to provide traditional engineering services in water/infrastructure and remediation services in the environmental field. In addition, MWH is taking a leading position in providing services to support measurement of and reduction in carbon footprints for our clients, and development of more-sustainable solutions to environmental issues.

## **DIRECTORS' REPORT (continued)**

### **• Business Objectives and Strategies/Plans for Growth**

Our Europe, Middle East, Africa and India (EMEAI) business grew by about 12% in 2007, but we expect slower growth in 2008 and 2009 as the UK water sector slows at the end of the AMP cycle. We are investing in services to other sectors in the UK. The Company considers potential acquisition targets where we believe that these would promote our strategic growth objectives. Outside the UK, a significant development in our continental Europe strategy was the acquisition in November 2007 of Syncera BV, an environmental consulting firm with 220 staff in the Netherlands.

### **Employees**

Consultation in the group with 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. Regular meetings are held with employee representatives to discuss sales, the 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 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 and bonus schemes.

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.

### **Risks and uncertainties**

#### **• Staff Resourcing**

There is a shortage of skilled engineers in UK. The company has taken steps to mitigate this risk by recruiting in foreign countries, planning new UK offices, and sharing work among its offices.

The staff resourcing issue in UK has led to salary inflation exceeding the national average. This situation is expected to continue for the foreseeable future, creating pressures on pricing and margins. Salary inflation is very high in the Middle East and India.

#### **• Corporate Social Responsibility**

At MWH, we recognise our corporate responsibility commitments and integrate them within our 'business as usual' operations. We reflect these commitments in our Core Values, and within our business policies relating to Standards of Business Conduct, Health and Safety, Employees, Customers, Environment, Suppliers and Community.

### **Environment & Climate Change Initiatives**

Two key initiatives relate to Climate Change and Community. MWH has adopted a global climate change commitment based on three key objectives: client engagement to raise awareness and action, carbon footprint reduction and offsetting, and education of the communities that we work in. Community involvement is coordinated locally in each of our offices, involving many of our staff in volunteering and fundraising activities.

**DIRECTORS' REPORT (continued)**

• **Financial Review**

Below is a summary of the consolidated group financial performance over the last three years

|                  | <b>2005<br/>£'000</b> | <b>2006<br/>£'000</b> | <b>2007<br/>£'000</b> |
|------------------|-----------------------|-----------------------|-----------------------|
| Gross Revenues   | 109,286               | 120,038               | 136,245               |
| Gross Margins    | 64,018                | 55,916                | 56,823                |
| Operating Profit | 19,535                | 11,219                | 12,905                |
| Return on Sales  | 17.9%                 | 9.3%                  | 9.5%                  |

Continuing strong growth in the UK business was the main driver behind the overall 13% growth in activity in 2007 over 2006

**Future Prospects**

The traditional 5-year AMP cycle in the UK indicates that our UK water market would be expected to peak in 2007. From 2008 to 2010 we expect a slower period in the England and Wales water market. However, we have still seen some volume growth in the first months of 2008, albeit at a slower pace. In the UK, diversification into other sectors is expected to continue. The Dutch acquisition is expected to replace some of the volume growth in 2008 and 2009 before the new AMP cycle in the water industry of England and Wales picks up again from 2010 onwards.

**DIVIDENDS**

A £9m dividend was paid in the accounting year in September 2007 (2006: £5m)

**DIRECTORS**

The directors who served during the period and since the year end are noted on page one

**AUDITORS**

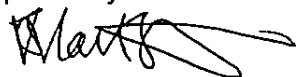
Each of the persons who is a director at the date of approval of this report confirms that

1. so far as the directors are aware, there is no relevant information of which the company's auditors are unaware, and
2. the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s 234ZA of the Companies Act 1985

Deloitte & Touche LLP have expressed their interest in continuing as independent auditors and a resolution for their re-appointment will be proposed at the forthcoming Annual General Meeting

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



V Hall-Sturt  
Company secretary  
31 July 2008

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare such financial statements for each financial year. Under that law the directors have chosen to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these 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 UK Accounting Standards have been followed, and
- (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 group and parent company financial statements of MWH Europe Limited for the year ended 31 December 2007 which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the consolidated and company balance sheets and the related notes 1 to 23. 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 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 and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 consider the implications for our report if we become aware of any apparent misstatements within it.

### **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's and the company's affairs as at 31 December 2007 and of the group's profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

*Deloitte & Touche LLP*

Deloitte & Touche LLP  
Chartered Accountants and Registered Auditors  
St Albans

*6 August* 2008

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**Year ended 31 December 2007**

|                                                      | Note   | 2007<br>£'000 | 2006<br>£'000 |
|------------------------------------------------------|--------|---------------|---------------|
| <b>Turnover:</b> Group and Share of Joint Ventures   |        | 139,272       | 122,627       |
| Less: Share of Joint Ventures                        |        | (3,027)       | (2,589)       |
| <b>GROUP TURNOVER</b>                                | 2      | 136,245       | 120,038       |
| Cost of sales                                        |        | (79,422)      | (64,122)      |
| Gross profit                                         |        | 56,823        | 55,916        |
| Administrative expenses                              |        | (43,938)      | (44,697)      |
| Other operating income                               |        | 20            | -             |
| <b>GROUP OPERATING PROFIT</b>                        |        | 12,905        | 11,219        |
| Share of operating profit in joint ventures          |        | 197           | 350           |
| <b>OPERATING PROFIT</b>                              | 3      | 13,102        | 11,569        |
| Interest receivable and similar income               | 5      | 1,005         | 772           |
| Interest payable and similar charges                 | 5      | (285)         | (160)         |
| <b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b> |        | 13,822        | 12,181        |
| Tax on profit on ordinary activities                 | 6      | (3,462)       | (5,191)       |
| <b>PROFIT FOR THE FINANCIAL YEAR</b>                 | 16, 19 | 10,360        | 6,990         |

The results for the year arose entirely from continuing operations

In November 2007, the company acquired the shares in Syncera BV (subsequently renamed MWH BV). This acquisition contributed £908,000 to group turnover and £(149,000) to group operating profit in the above profit and loss account. No further disclosure of the results of this acquisition in the period have been made as the directors consider this to be immaterial to the group.

MWH Spa Italy, a subsidiary company of MWH Europe Ltd, acquired the shares in Ambiente & Sicurezza in July 2006. This acquisition contributed £334,000 to group turnover and £27,000 to group operating profit in the comparative profit and loss account. No further disclosure of the results of this acquisition in the preceding period were made as the directors considered this to be immaterial to the group.

**CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**Year ended 31 December 2007**

|                                                                    | <b>Note</b> | <b>2007</b>  | <b>2006</b>  |
|--------------------------------------------------------------------|-------------|--------------|--------------|
|                                                                    |             | <b>£'000</b> | <b>£'000</b> |
| Profit for the financial year                                      | 16          | 10,360       | 6,990        |
| Exchange movements on retranslation of foreign subsidiaries        | 16          | 412          | (291)        |
| Actuarial (loss)/gain on the defined benefit pension scheme        | 20          | (1,400)      | 3,338        |
| Tax on actuarial (loss)/gain on the defined benefit pension scheme |             | 392          | (1,001)      |
| Movement in opening tax rates                                      |             | (301)        | -            |
| Revaluation of tangible fixed assets                               |             | 411          | -            |
|                                                                    |             | <hr/>        | <hr/>        |
| Total-recognised gains and losses                                  |             | <b>9,874</b> | <b>9,036</b> |
|                                                                    |             | <hr/>        | <hr/>        |

# MWH EUROPE LIMITED

## CONSOLIDATED BALANCE SHEET As at 31 December 2007

|                                                                | Note | 2007  | 2007     | 2006  | 2006     |
|----------------------------------------------------------------|------|-------|----------|-------|----------|
|                                                                |      | £'000 | £'000    | £'000 | £'000    |
| <b>FIXED ASSETS</b>                                            |      |       |          |       |          |
| Intangible assets                                              | 7    |       | 2,759    |       | 296      |
| Tangible assets                                                | 8    |       | 8,190    |       | 5,016    |
| Investments in joint ventures                                  |      |       |          |       |          |
| Share of assets                                                |      | 2,343 |          | 2,153 |          |
| Share of liabilities                                           |      | (961) |          | (818) |          |
|                                                                | 9    |       | 1,382    |       | 1,335    |
|                                                                |      |       | 12,331   |       | 6,647    |
| <b>CURRENT ASSETS</b>                                          |      |       |          |       |          |
| Debtors amounts falling due after one year                     | 10   |       | -        |       | 323      |
| Debtors amounts falling due within one year                    | 11   |       | 53,728   |       | 52,795   |
| Short term investments                                         |      |       | 5,037    |       | 1,984    |
| Cash at bank                                                   |      |       | 8,242    |       | 12,380   |
|                                                                |      |       | 67,007   |       | 67,482   |
| <b>CREDITORS: amounts falling due within one year</b>          | 12   |       | (40,036) |       | (36,028) |
| <b>NET CURRENT ASSETS</b>                                      |      |       | 26,971   |       | 31,454   |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>                   |      |       | 39,302   |       | 38,101   |
| <b>CREDITORS: amounts falling due after more than one year</b> | 13   |       | (735)    |       | -        |
| <b>NET ASSETS excluding pensions liability</b>                 |      |       | 38,567   |       | 38,101   |
| Pensions liability                                             | 20   |       | (10,098) |       | (10,506) |
| <b>NET ASSETS including pensions liability</b>                 |      |       | 28,469   |       | 27,595   |
| <b>CAPITAL AND RESERVES</b>                                    |      |       |          |       |          |
| Called up share capital                                        | 15   |       | 10,000   |       | 10,000   |
| Profit and loss account                                        | 16   |       | 16,832   |       | 16,369   |
| Revaluation reserve                                            | 17   |       | 1,637    |       | 1,226    |
| <b>SHAREHOLDERS' FUNDS</b>                                     | 19   |       | 28,469   |       | 27,595   |

These financial statements were approved by the Board of Directors on 31 July 2008

Signed on behalf of the Board of Directors



A D Nickols  
Director

# MWH EUROPE LIMITED

## COMPANY BALANCE SHEET As at 31 December 2007

|                                                       | Note | 2007<br>£'000   | 2006<br>£'000   |
|-------------------------------------------------------|------|-----------------|-----------------|
| <b>FIXED ASSETS</b>                                   |      |                 |                 |
| Investments                                           | 9    | 16,429          | 12,558          |
| Tangible assets                                       | 8    | 12              | 10              |
|                                                       |      | <u>16,441</u>   | <u>12,568</u>   |
| <b>CURRENT ASSETS</b>                                 |      |                 |                 |
| Debtors amounts falling due after one year            | 10   | -               | 323             |
| Debtors amounts falling due within one year           | 11   | 12,653          | 12,701          |
| Cash at bank                                          |      | 1,556           | 2,448           |
|                                                       |      | <u>14,209</u>   | <u>15,472</u>   |
| <b>CREDITORS: amounts falling due within one year</b> | 12   | <u>(19,090)</u> | <u>(16,540)</u> |
| <b>NET CURRENT LIABILITIES</b>                        |      | <u>(4,881)</u>  | <u>(1,068)</u>  |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>          |      | <u>11,560</u>   | <u>11,500</u>   |
| <b>TOTAL NET ASSETS</b>                               |      | <u>11,560</u>   | <u>11,500</u>   |
| <b>CAPITAL AND RESERVES</b>                           |      |                 |                 |
| Called up share capital                               | 15   | 10,000          | 10,000          |
| Profit and loss account                               | 16   | 1,560           | 1,500           |
| <b>SHAREHOLDERS' FUNDS</b>                            |      | <u>11,560</u>   | <u>11,500</u>   |

These financial statements were approved by the Board of Directors on

31 July 2008

Signed on behalf of the Board of Directors



A D Nickols  
Director

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2007**

**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. 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. Exchange differences arising are accounted for in 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.

**Amounts recoverable on contracts**

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 2007**

**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 tax rates and laws that have been enacted or substantively enacted by the balance sheet date. 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 is not provided on timing differences arising from the revaluation of fixed assets where there is no binding contract to dispose of these assets. Deferred tax is not provided on unremitted earnings where there is no binding commitment to remit these earnings. 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 leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding.

**Pension costs**

For defined benefit schemes the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments 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 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.

## MWH EUROPE LIMITED

### NOTES TO THE ACCOUNTS

Year ended 31 December 2007

#### 2. GROUP 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 2007 and 2006 is attributable to the principal activity of the company and is split geographically as follows

|                   | 2007<br>£'000  | 2006<br>£'000  |
|-------------------|----------------|----------------|
| United Kingdom    | 102,577        | 87,464         |
| Rest of Europe    | 22,731         | 23,771         |
| Rest of the world | 10,937         | 8,803          |
|                   | <u>136,245</u> | <u>120,038</u> |

#### 3. OPERATING PROFIT

|                                                                                             | 2007<br>£'000 | 2006<br>£'000 |
|---------------------------------------------------------------------------------------------|---------------|---------------|
| Operating profit for the year is stated after charging                                      |               |               |
| Amortisation of intangibles                                                                 | 103           | 62            |
| Impairment of Intangibles                                                                   | -             | 121           |
| Depreciation                                                                                |               |               |
| Owned assets                                                                                | 1,590         | 612           |
| Operating lease charges                                                                     |               |               |
| Plant and equipment                                                                         | 897           | 1,795         |
| Land and buildings                                                                          | 2,160         | 1,886         |
| Auditors' remuneration                                                                      |               |               |
| Fees payable to the company's auditors for the audit of the company's annual accounts       | 32            | 28            |
| Fees payable to the company's auditors and their associates for other services to the group | 151           | 141           |
| Tax services                                                                                | 162           | 219           |
| Foreign exchange losses                                                                     | 185           | 279           |
|                                                                                             | <u>6,080</u>  | <u>4,707</u>  |

As permitted by section 230 of The Companies Act 1985, the profit and loss account of the parent company is not presented as part of these accounts. The profit of the parent company for the financial year was £9,079,000 (2006 £11,179,000)

#### 4. STAFF COSTS AND ANALYSIS

|                       | 2007<br>£'000 | 2006<br>£'000 |
|-----------------------|---------------|---------------|
| All employees         |               |               |
| Wages and salaries    | 53,669        | 42,625        |
| Social security costs | 4,761         | 3,890         |
| Other pension costs   | 6,778         | 4,836         |
|                       | <u>65,208</u> | <u>51,351</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 2007**

**4. STAFF COSTS AND ANALYSIS (CONTINUED)**

|                                           | <b>2007</b>  | <b>2006</b>  |
|-------------------------------------------|--------------|--------------|
| <b>Average number of persons employed</b> | <b>No.</b>   | <b>No.</b>   |
| Engineering                               | 1,660        | 1,243        |
| Marketing                                 | 14           | 5            |
| Administration                            | 347          | 203          |
|                                           | <u>2,021</u> | <u>1,451</u> |

None of the directors of the Company are remunerated for their services as directors of MWH Europe Ltd. Each is remunerated by another company in the MWH Group.

Retirement benefits are accruing to four directors (2006: 2) under a defined contribution scheme and to three directors (2006: 1) under a defined benefit scheme.

**5. INTEREST**

|                                                                          | <b>2007</b>  | <b>2006</b>  |
|--------------------------------------------------------------------------|--------------|--------------|
|                                                                          | <b>£'000</b> | <b>£'000</b> |
| <b>Interest Receivable and Similar Income</b>                            |              |              |
| Bank interest                                                            | 790          | 429          |
| Other interest                                                           | 179          | 251          |
| Interest arising from investments held in defined benefit schemes        | 10           | 61           |
| Income from fixed asset investments                                      | 26           | 31           |
|                                                                          | <u>1,005</u> | <u>772</u>   |
| <b>Interest Payable and Similar Charges</b>                              |              |              |
| Interest payable on bank loans and overdrafts                            | 90           | 91           |
| Interest paid to group undertakings                                      | -            | 69           |
| Finance charges payable under finance leases and hire purchase contracts | 195          | -            |
|                                                                          | <u>285</u>   | <u>160</u>   |

Income from fixed asset investments arises from MWH Arabtech-Jardeneh's investment in LEMA.

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2007**

**6. TAX ON PROFIT ON ORDINARY ACTIVITIES**

|                                                                                                     | <b>2007</b>  | <b>2006</b>  |
|-----------------------------------------------------------------------------------------------------|--------------|--------------|
|                                                                                                     | <b>£'000</b> | <b>£'000</b> |
| United Kingdom corporation tax at 30% (2006 30%) based on the profit for the year                   | 3,928        | 4,102        |
| Overseas taxation                                                                                   | 169          | 133          |
| Group relief                                                                                        | -            | 27           |
| Adjustments to prior years' tax provisions                                                          | (1,309)      | 225          |
|                                                                                                     | <u>2,788</u> | <u>4,487</u> |
| Deferred tax                                                                                        |              |              |
| Timing differences                                                                                  | 145          | 22           |
| Adjustments to the estimated recoverable amounts of deferred tax assets arising in previous periods | -            | (5)          |
| Changes in deferred tax on pension liability                                                        | 667          | 652          |
| Adjustments in respect of prior years                                                               | (138)        | 35           |
|                                                                                                     | <u>3,462</u> | <u>5,191</u> |

**FACTORS AFFECTING TAX CHARGE FOR THE CURRENT PERIOD**

The tax assessed for the period is lower (2006 higher) than that resulting from applying the standard rate of corporation tax in the UK 30% (2006 30%). The differences are explained below

|                                              | <b>2007</b>   | <b>2006</b>   |
|----------------------------------------------|---------------|---------------|
|                                              | <b>£'000</b>  | <b>£'000</b>  |
| Profit on ordinary activities before tax     | <u>13,822</u> | <u>12,181</u> |
| Tax at 30% thereon                           | 4,147         | 3,654         |
| Effects of                                   |               |               |
| Expenses not deductible for tax purposes     | (79)          | 144           |
| Capital allowances in excess of depreciation | (155)         | (63)          |
| Utilisation of tax losses                    | 402           | 210           |
| Movement in short term timing differences    | 38            | 42            |
| Overseas tax rates                           | (256)         | 275           |
| Prior period adjustments                     | (1,309)       | 225           |
| Current tax charge for period                | <u>2,788</u>  | <u>4,487</u>  |

The main item affecting the large prior period adjustment is the R&D refunds totalling £1,181,000 covering the years 2002-2005

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2007**

**7. INTANGIBLE FIXED ASSETS**

| <b>Group</b>          | <b>Goodwill</b> | <b>Other</b>       | <b>Total</b> |
|-----------------------|-----------------|--------------------|--------------|
|                       | <b>£'000</b>    | <b>Intangibles</b> | <b>£'000</b> |
|                       |                 | <b>£'000</b>       |              |
| <b>Cost</b>           |                 |                    |              |
| At 1 January 2007     | 670             | 94                 | 764          |
| Exchange differences  | 28              | 5                  | 33           |
| Additions             | 2,547           | -                  | 2,547        |
| At 31 December 2007   | 3,245           | 99                 | 3,344        |
| <b>Amortisation</b>   |                 |                    |              |
| At 1 January 2007     | 383             | 85                 | 468          |
| Exchange differences  | 7               | 7                  | 14           |
| Amortisation          | 103             | -                  | 103          |
| At 31 December 2007   | 493             | 92                 | 585          |
| <b>Net book value</b> |                 |                    |              |
| At 31 December 2007   | 2,752           | 7                  | 2,759        |
| At 31 December 2006   | 287             | 9                  | 296          |

In November 2007 the company acquired 100% of the shares in Syncera BV (subsequently renamed MWH BV), a company operating in a similar area of business. The transaction has been accounted for by the acquisition method.

The company was acquired for £4,064,000, with the fair value of its net assets assessed at £1,505,000, giving rise to goodwill of £2,559,000.

In July 2006 MWH Spa acquired 100% of the shares in Ambiente & Sicurezza, a company operating in a similar area of business. This transaction has been accounted for by the acquisition method.

This company was acquired for the consideration of £440,000 of which £67,000 represented the estimated deferred consideration on an earn-out arrangement. The fair value of Ambiente & Sicurezza was assessed at £127,000, giving rise to goodwill of £313,000. In 2007, the final deferred consideration was determined to be £55,000, with goodwill accordingly adjusted to £301,000.

As the investment is recorded in Euros within MWH Spa it is subject to retranslation adjustments.

# NOTES TO THE ACCOUNTS

## Year ended 31 December 2007

### 8. TANGIBLE FIXED ASSETS

| Group                       | Freehold<br>land and<br>buildings<br>£'000 | Plant and<br>equipment<br>£'000 | Motor<br>vehicles<br>£'000 | Total<br>£'000 |
|-----------------------------|--------------------------------------------|---------------------------------|----------------------------|----------------|
| <b>Cost or valuation</b>    |                                            |                                 |                            |                |
| At 1 January 2007           | 3,273                                      | 6,369                           | 123                        | 9,765          |
| Exchange differences        | 17                                         | 103                             | 6                          | 126            |
| Additions                   | 123                                        | 4,150                           | 28                         | 4,301          |
| Disposals                   | -                                          | (452)                           | (29)                       | (481)          |
| Revaluations                | 162                                        | -                               | -                          | 162            |
| At 31 December 2007         | 3,575                                      | 10,170                          | 128                        | 13,873         |
| <b>Depreciation</b>         |                                            |                                 |                            |                |
| At 1 January 2007           | 181                                        | 4,465                           | 103                        | 4,749          |
| Exchange differences        | 7                                          | 59                              | 5                          | 71             |
| Adjustments on revaluations | (249)                                      | -                               | -                          | (249)          |
| Charge for the year         | 110                                        | 1,452                           | 28                         | 1,590          |
| Disposals                   | -                                          | (441)                           | (37)                       | (478)          |
| At 31 December 2007         | 49                                         | 5,535                           | 99                         | 5,683          |
| <b>Net book value</b>       |                                            |                                 |                            |                |
| At 31 December 2007         | 3,526                                      | 4,635                           | 29                         | 8,190          |
| At 31 December 2006         | 3,092                                      | 1,904                           | 20                         | 5,016          |

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

|                | 2007<br>£'000 | 2006<br>£'000 |
|----------------|---------------|---------------|
| Cost           | 19            | 17            |
| Depreciation   | (12)          | (17)          |
| Net book value | 7             | -             |

The group's freehold property in High Wycombe was revalued at 31 December 2007 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

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2007**

**8. TANGIBLE FIXED ASSETS (CONTINUED)**

|                                       | <b>2007</b>                |                       | <b>2006</b>                |                       |
|---------------------------------------|----------------------------|-----------------------|----------------------------|-----------------------|
|                                       | <b>Valuation<br/>£'000</b> | <b>Cost<br/>£'000</b> | <b>Valuation<br/>£'000</b> | <b>Cost<br/>£'000</b> |
| Land                                  | 1,870                      | 1,372                 | 1,835                      | 1,372                 |
| Building                              | 1,582                      | 989                   | 1,265                      | 799                   |
| Accumulated depreciation on buildings | -                          | (546)                 | (114)                      | (411)                 |
|                                       | <u>3,452</u>               | <u>1,815</u>          | <u>2,986</u>               | <u>1,760</u>          |

|                       | <b>Plant and<br/>equipment<br/>£'000</b> |
|-----------------------|------------------------------------------|
| <b>Company</b>        |                                          |
| <b>Cost</b>           |                                          |
| At 1 January          | 498                                      |
| Additions in year     | 3                                        |
| At 31 December 2007   | <u>501</u>                               |
| <b>Depreciation</b>   |                                          |
| At 1 January 2007     | 488                                      |
| Disposals             | 1                                        |
| At 31 December 2007   | <u>489</u>                               |
| <b>Net book value</b> |                                          |
| At 31 December 2007   | <u>12</u>                                |
| At 31 December 2006   | <u>10</u>                                |

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2007**

**9. INVESTMENTS**

|                               | <b>2007</b>  | <b>2006</b>  |
|-------------------------------|--------------|--------------|
|                               | <b>£'000</b> | <b>£'000</b> |
| <b>Group</b>                  |              |              |
| <b>Joint ventures</b>         |              |              |
| Share of assets               | 2,343        | 2,153        |
| Share of liabilities          | (961)        | (818)        |
|                               | <u>1,382</u> | <u>1,335</u> |
| Investments at 1 January      | 1,335        | 1,141        |
| Exchange differences          | 5            | (151)        |
| Distributions                 | (155)        | (21)         |
| Share of joint venture profit | 197          | 366          |
|                               | <u>1,382</u> | <u>1,335</u> |
| Investments at 31 December    |              |              |

|                                 | <b>Share holding %<br/>in ordinary shares</b> | <b>Country of incorporation</b> | <b>Principal activity</b> |
|---------------------------------|-----------------------------------------------|---------------------------------|---------------------------|
| <b>Joint ventures</b>           |                                               |                                 |                           |
| 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      |
| SISTech Limited *               | 50                                            | UK                              | Research institute        |

\* owned by MWH UK Limited

In May 2007, MWH UK Ltd purchased 50% of the shares in The Scottish Institute of Sustainable Technology, known as "SISTech", a not-for-profit research institute established to promote and foster best practice in sustainable development. SISTech is a joint venture with Heriot Watt University. Consideration of £500 was paid in cash.

The joint ventures in 4Delivery Limited and Watermark (Yorkshire) Limited commenced on 1 April 2005. The accounting period for 4Delivery Limited ends on 31 March and for Watermark (Yorkshire) Limited ends on 30 April. These accounts incorporate the appropriate MWH share of unaudited results of both companies for the twelve months ending 31 December 2007.

|                                            | <b>2007</b>   | <b>2006</b>   |
|--------------------------------------------|---------------|---------------|
|                                            | <b>£'000</b>  | <b>£'000</b>  |
| <b>Company</b>                             |               |               |
| Investments at 1 January                   | 12,558        | 10,940        |
| Additional investment in MWH SA            | 849           | 742           |
| Investment in MWH BV (formerly Syncera BV) | 4,064         | -             |
| Liquidation of MWH d o o                   | -             | (6)           |
| Write (down)/up of value of investments    | (1,042)       | 882           |
|                                            | <u>16,429</u> | <u>12,558</u> |
| Investments at 31 December                 |               |               |

# MWH EUROPE LIMITED

## NOTES TO THE ACCOUNTS Year ended 31 December 2007

### 9. 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%              |
| MWH SPA                                     | Italy                    | 100%              |
| Ambiente & Sicurezza SPA                    | Italy                    | 100%              |
| MWH SA                                      | Belgium                  | 100%              |
| Pardevo SA                                  | Belgium                  | 100%              |
| MWH India Pvt Limited                       | India                    | 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 BV (formerly Syncera BV)                | Netherlands              | 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 BV. The company purchased 100% of the shares in Syncera BV (subsequently renamed MWH BV) in November 2007 (see below).

MWH UK Limited owns the shares in 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.

MWH Spa, Italy owns the shares in Ambiente & Sicurezza.

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.

Syncera BV was acquired in November 2007 for a cash consideration of £4,064,000. The book value and fair value of the net assets acquired is as follows:

|                                            | £'000   |
|--------------------------------------------|---------|
| Fixed assets                               | 496     |
| Accounts receivable                        | 4,128   |
| Other current assets                       | 263     |
| Bank overdraft                             | (496)   |
| Accounts payable                           | (1,263) |
| Accrued expenses                           | (851)   |
| Loan payable                               | (772)   |
|                                            | <hr/>   |
| Cost and fair value of net assets acquired | 1,505   |
| Goodwill                                   | 2,559   |
|                                            | <hr/>   |
|                                            | 4,064   |
|                                            | <hr/>   |

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2007**

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

|               | Company |       | Group |       |
|---------------|---------|-------|-------|-------|
|               | 2007    | 2006  | 2007  | 2006  |
|               | £'000   | £'000 | £'000 | £'000 |
| Other debtors | -       | 323   | -     | 323   |

**11. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

|                                                                                | Company       |               | Group         |               |
|--------------------------------------------------------------------------------|---------------|---------------|---------------|---------------|
|                                                                                | 2007          | 2006          | 2007          | 2006          |
|                                                                                | £'000         | £'000         | £'000         | £'000         |
| Trade debtors                                                                  | -             | -             | 15,205        | 8,227         |
| Amounts recoverable on contracts                                               | -             | -             | 21,657        | 25,899        |
| Amounts owed by group undertakings                                             | 11,808        | 12,213        | 9,861         | 14,584        |
| Amounts owed by undertakings in which the company has a participating interest | -             | 15            | 728           | 454           |
| Corporation tax                                                                | -             | -             | 2,723         | 1,059         |
| Deferred taxation (see note 14)                                                | 39            | 51            | 444           | 451           |
| Other debtors                                                                  | 716           | 421           | 1,381         | 1,666         |
| Prepayments and accrued income                                                 | 90            | 1             | 1,729         | 455           |
|                                                                                | <u>12,653</u> | <u>12,701</u> | <u>53,728</u> | <u>52,795</u> |

**12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

|                                                                                | Company       |               | Group         |               |
|--------------------------------------------------------------------------------|---------------|---------------|---------------|---------------|
|                                                                                | 2007          | 2006          | 2007          | 2006          |
|                                                                                | £'000         | £'000         | £'000         | £'000         |
| Bank overdrafts                                                                | -             | -             | 861           | -             |
| Trade creditors                                                                | -             | 3             | 6,252         | 3,457         |
| Amounts owed to group undertakings                                             | 17,596        | 16,236        | 3,371         | 4,603         |
| Amounts owed to undertakings in which the company has a participating interest | -             | 6             | 13            | 81            |
| Obligations under finance lease                                                | -             | -             | 758           | -             |
| Other taxes and social security                                                | 340           | -             | 4,533         | 4,761         |
| Corporation tax                                                                | 24            | 14            | 3,045         | 2,084         |
| Other creditors                                                                | 747           | 159           | 7,046         | 5,888         |
| Accruals and deferred income                                                   | 383           | 122           | 14,157        | 15,154        |
|                                                                                | <u>19,090</u> | <u>16,540</u> | <u>40,036</u> | <u>36,028</u> |

**13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

|                                 | Group      |          |
|---------------------------------|------------|----------|
|                                 | 2007       | 2006     |
|                                 | £'000      | £'000    |
| Obligations under finance lease | <u>735</u> | <u>-</u> |

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2007**

**14. DEFERRED TAXATION**

As at 31 December 2007 and 31 December 2006 no amounts have been provided in respect of deferred taxation liabilities

No deferred tax assets have been recognised for accumulated tax losses within our MWH SA and MWH Spa subsidiaries

The recoverability of these losses depends on there being sufficient taxable profits within these entities (and before these losses expire as in the case of MWH Spa) This is not currently considered sufficiently certain for the recoverability of these losses to be regarded as more likely than not, and hence no deferred tax asset has been recognised

The unprovided deferred tax asset is

MWH SA £558,000  
MWH Spa £1,386,000

**MOVEMENT ON DEFERRED TAXATION ASSET BALANCE IN THE PERIOD**

|                                   | <b>Company</b> |              | <b>Group</b> |              |
|-----------------------------------|----------------|--------------|--------------|--------------|
|                                   | <b>2007</b>    | <b>2006</b>  | <b>2007</b>  | <b>2006</b>  |
|                                   | <b>£'000</b>   | <b>£'000</b> | <b>£'000</b> | <b>£'000</b> |
| Opening balance                   | 51             | 51           | 451          | 547          |
| Charge to profit and loss account | (12)           | -            | (7)          | (52)         |
| Other movements                   | -              | -            | -            | (44)         |
| Closing asset balance             | <u>39</u>      | <u>51</u>    | <u>444</u>   | <u>451</u>   |

**ANALYSIS OF PROVIDED DEFERRED TAXATION BALANCE**

|                                                    | <b>Company</b> |              | <b>Group</b> |              |
|----------------------------------------------------|----------------|--------------|--------------|--------------|
|                                                    | <b>2007</b>    | <b>2006</b>  | <b>2007</b>  | <b>2006</b>  |
|                                                    | <b>£'000</b>   | <b>£'000</b> | <b>£'000</b> | <b>£'000</b> |
| Capital allowances in excess of depreciation       | 39             | 9            | 123          | 226          |
| Short term timing differences                      | -              | -            | 321          | 210          |
| Losses                                             | -              | -            | -            | -            |
| Intercompany interest deductible in a later period | -              | 42           | -            | -            |
| Other                                              | -              | -            | -            | 15           |
| Deferred tax asset                                 | <u>39</u>      | <u>51</u>    | <u>444</u>   | <u>451</u>   |

**15. CALLED UP SHARE CAPITAL**

|                                           | <b>2007</b>   | <b>2006</b>   |
|-------------------------------------------|---------------|---------------|
|                                           | <b>£'000</b>  | <b>£'000</b>  |
| <b>Group and Company</b>                  |               |               |
| <b>Authorised</b>                         |               |               |
| 20,000,000 ordinary shares of £1 each     | <u>20,000</u> | <u>20,000</u> |
| <b>Called up, allotted and fully paid</b> |               |               |
| 10,000,000 ordinary shares of £1 each     | <u>10,000</u> | <u>10,000</u> |

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2007**

**16. PROFIT AND LOSS ACCOUNT**

|                                                             | <b>Company</b> |              | <b>Group</b>  |               |
|-------------------------------------------------------------|----------------|--------------|---------------|---------------|
|                                                             | <b>2007</b>    | <b>2006</b>  | <b>2007</b>   | <b>2006</b>   |
|                                                             | <b>£'000</b>   | <b>£'000</b> | <b>£'000</b>  | <b>£'000</b>  |
| At 1 January                                                | 1,500          | (4,679)      | 16,369        | 12,333        |
| Exchange movement                                           | -              | -            | 412           | (291)         |
| Actuarial (loss)/gain on the defined benefit pension scheme | -              | -            | (1,400)       | 3,338         |
| Tax on actuarial gain on the defined benefit pension scheme | -              | -            | 91            | (1,001)       |
| Profit for the financial year                               | 9,060          | 11,179       | 10,360        | 6,990         |
| Net dividends                                               | (9,000)        | (5,000)      | (9,000)       | (5,000)       |
| At 31 December                                              | <u>1,560</u>   | <u>1,500</u> | <u>16,832</u> | <u>16,369</u> |
| Retained profit                                             | 1,560          | 1,500        | 26,930        | 26,875        |
| Pensions liability                                          | -              | -            | (10,098)      | (10,506)      |
|                                                             | <u>1,560</u>   | <u>1,500</u> | <u>16,832</u> | <u>16,369</u> |

**17. REVALUATION RESERVE**

**Group**

|                                               | <b>2007</b>  | <b>2006</b>  |
|-----------------------------------------------|--------------|--------------|
|                                               | <b>£'000</b> | <b>£'000</b> |
| At 1 January                                  | 1,226        | 1,226        |
| Revaluation of freehold property (see note 8) | 411          | -            |
| At 31 December                                | <u>1,637</u> | <u>1,226</u> |

**18. DIVIDENDS PAYABLE**

|                                                                       | <b>2007</b>  | <b>2006</b>   |
|-----------------------------------------------------------------------|--------------|---------------|
|                                                                       | <b>£'000</b> | <b>£'000</b>  |
| First Interim dividend of 90p per share (2006 90p)                    | 9,000        | 9,000         |
| Second interim dividend of £nil per share (2006 50p)                  | -            | 5,000         |
|                                                                       | <u>9,000</u> | <u>14,000</u> |
| Less dividend returned due to insufficiency of distributable reserves | -            | (9,000)       |
| Net dividends paid                                                    | <u>9,000</u> | <u>5,000</u>  |

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2007**

**19. MOVEMENT IN SHAREHOLDERS' FUNDS**

| <b>Group</b>                                                | <b>2007<br/>£'000</b> | <b>2006<br/>£'000</b> |
|-------------------------------------------------------------|-----------------------|-----------------------|
| Shareholders funds brought forward                          | 27,595                | 23,559                |
| Profit for the financial year                               | 10,360                | 6,990                 |
| Net dividends                                               | (9,000)               | (5,000)               |
| Actuarial (loss)/gain on the defined benefit pension scheme | (1,400)               | 3,338                 |
| Tax on actuarial gain on the defined benefit pension scheme | 392                   | (1,001)               |
| Movement in opening tax rates                               | (301)                 | -                     |
| Other recognised gains and losses                           | 412                   | (291)                 |
| Revaluation of tangible fixed assets                        | 411                   | -                     |
| Shareholders funds carried forward                          | <u>28,469</u>         | <u>27,595</u>         |

**20. PENSION SCHEMES**

The UK companies operate a defined benefit pension scheme. This scheme was closed to new members on 1 April 2005 and no further benefits for pensionable service from that date will accrue to existing members from that date. The defined benefit scheme has been replaced by a new defined contribution section.

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 covered only 65% of the liabilities. In accordance with the actuary's recommendations the company decided to fund this deficit by additional contributions over the 15 years commencing in April 2005.

**Method of funding the deficit**

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.

There will be a further triennial valuation based on the scheme position at April 1<sup>st</sup> 2008.

**FRS 17 Disclosures for December 2007**

The assumptions used in support of the FRS 17 figures incorporated into these accounts are set out below.

Rate of interest of 5.90% per annum, allowances for increases in members' earnings of 4.75% per annum, LPI increases of 3.25% per annum and an investment return on the fund (net of expenses) of 6.6% per annum.

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2007**

**20. PENSION SCHEMES (CONTINUED)**

A group contribution of approximately £2,500,000 per annum is currently being paid, 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 2007, 31 December 2006 and 31 December 2005 reviews were:

|                                    | <b>2007</b> | <b>2006</b> | <b>2005</b> |
|------------------------------------|-------------|-------------|-------------|
| Inflation assumption               | 3.25%       | 2.75%       | 2.5%        |
| Increase for pensions              | 3.25%       | 2.75%       | 2.5%        |
| Salary scale increase pre annum    | 4.75%       | 4.25%       | 4.0%        |
| Statutory Revaluation in deferment | 3.25%       | 2.75%       | 2.5%        |
| Discount rate for liabilities      | 5.90%       | 5.25%       | 5.0%        |

The fair value of the assets at 31 December 2007, 31 December 2006 and 31 December 2005 and the expected rate of return for each category of assets is as follows:

|                                            | <b>2007<br/>Expected<br/>rate of<br/>return</b> | <b>2007<br/>Value of<br/>assets<br/>£'000</b> | <b>2006<br/>Expected<br/>rate of<br/>return</b> | <b>2006<br/>Value of<br/>assets<br/>£'000</b> | <b>2005<br/>Expected<br/>rate of<br/>return</b> | <b>2005<br/>Value of<br/>assets<br/>£'000</b> |
|--------------------------------------------|-------------------------------------------------|-----------------------------------------------|-------------------------------------------------|-----------------------------------------------|-------------------------------------------------|-----------------------------------------------|
| Fair value of group pension contract asset | 6.6%                                            | 56,891                                        | 6.6%                                            | 55,305                                        | 7.0%                                            | 52,670                                        |
| Present value of liabilities               |                                                 | (70,916)                                      |                                                 | (70,313)                                      |                                                 | (73,188)                                      |
| Deficit in scheme                          |                                                 | (14,025)                                      |                                                 | (15,008)                                      |                                                 | (20,518)                                      |
| Deferred tax                               |                                                 | 3,927                                         |                                                 | 4,502                                         |                                                 | 6,155                                         |
| Deficit after taxation                     |                                                 | <u>(10,098)</u>                               |                                                 | <u>(10,506)</u>                               |                                                 | <u>(14,363)</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.

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2007**

**20. PENSION SCHEMES (CONTINUED)**

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

|                               | <b>2007<br/>£'000</b> | <b>2006<br/>£'000</b> |
|-------------------------------|-----------------------|-----------------------|
| Current service cost          | 228                   | 258                   |
| Total operating charge        | 228                   | 258                   |
| Expected return of the assets | 3,595                 | 3,623                 |
| Interest cost                 | (3,585)               | (3,562)               |
| Other finance income          | 10                    | 61                    |

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

|                                                                                      | <b>2007<br/>£'000</b> | <b>2006<br/>£'000</b> |
|--------------------------------------------------------------------------------------|-----------------------|-----------------------|
| Actual return less expected return on assets                                         | (326)                 | 829                   |
| Experience gains and losses arising on the scheme liabilities                        | (1,763)               | 1,925                 |
| Effects of changes in assumptions underlying the present value of scheme liabilities | 689                   | 584                   |
| Actuarial (loss)/gain recognised in STRGL                                            | (1,400)               | 3,338                 |

Analysis of the movement in the scheme deficit during the year

|                                               | <b>2007<br/>£'000</b> | <b>2006<br/>£'000</b> |
|-----------------------------------------------|-----------------------|-----------------------|
| Opening deficit in the scheme after taxation  | (10,506)              | (14,363)              |
| Current service cost                          | (228)                 | (258)                 |
| Contributions                                 | 2,602                 | 2,369                 |
| Finance income                                | 10                    | 61                    |
| Actuarial (loss)/gain                         | (1,400)               | 3,338                 |
| Taxation                                      | (275)                 | (1,653)               |
| Taxation – change in rate for opening deficit | (301)                 | -                     |
| Closing deficit in the scheme after taxation  | (10,098)              | (10,506)              |

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2007**

**20. PENSION SCHEMES (CONTINUED)**

History of experience gains and losses

|                                                                                   | <b>2007</b> | <b>2006</b> | <b>2005</b> | <b>2004</b> | <b>2003</b> |
|-----------------------------------------------------------------------------------|-------------|-------------|-------------|-------------|-------------|
| Difference between the expected and actual return on scheme assets                |             |             |             |             |             |
| Amount (£'000)                                                                    | (326)       | 829         | 1,904       | 1,900       | 300         |
| Percentage of scheme assets                                                       | (0.6)%      | 1.5%        | 3.6%        | 4.0%        | 0.8%        |
| Experience gains and losses on scheme liabilities                                 |             |             |             |             |             |
| Amount (£'000)                                                                    | (1,763)     | 1,925       | 3,585       | (100)       | (200)       |
| Percentage of the present value of scheme liabilities                             | (2.5)%      | 2.7%        | 4.9%        | (0.2)%      | (0.4)%      |
| Total actuarial (loss)/gain in the statement of total recognised gains and losses |             |             |             |             |             |
| Amount (£'000)                                                                    | (1,400)     | 3,338       | 787         | (3,300)     | 6,900       |
| Percentage of the present value of scheme liabilities                             | (2.0)%      | 4.8%        | 1.1%        | (4.8)%      | 12.4%       |

The group also operates a number of defined contribution schemes for which the pension cost charge for the year amounted to £3,559,000 (2006 £2,514,000)

**21. OPERATING LEASE COMMITMENTS**

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

|                          | <b>Land and buildings</b> | <b>Other</b> | <b>Land and buildings</b> | <b>Other</b> |
|--------------------------|---------------------------|--------------|---------------------------|--------------|
|                          | <b>2007</b>               | <b>2007</b>  | <b>2006</b>               | <b>2006</b>  |
|                          | <b>£000</b>               | <b>£000</b>  | <b>£000</b>               | <b>£000</b>  |
| Lease which expire       |                           |              |                           |              |
| Within one year          | 201                       | 98           | 146                       | 758          |
| Within two to five years | 876                       | 498          | 685                       | 1,462        |
| After five years         | 887                       | -            | 790                       | -            |
|                          | <u>1,964</u>              | <u>596</u>   | <u>1,621</u>              | <u>2,220</u> |

Leases of computer equipment classified as operating leases in 2006 have now been classified as finance leases

**22. CONTINGENT LIABILITIES AND CAPITAL EXPENDITURE**

The group had no capital expenditure commitments approved but not contracted for as at 31 December 2007 (2006 nil)

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2007**

**23. ULTIMATE PARENT UNDERTAKING**

The company's ultimate parent, controlling undertaking and the largest and smallest group company in which its results are consolidated is MWH Global Inc , a company incorporated in the United States of America

The immediate parent undertaking is MWH Holding BV, a company incorporated in the Netherlands

The financial statements of MWH Holding BV and MWH Global Inc are available to the public from Forum Administrators BV, Weena 336, 3012 NJ, Rotterdam, The Netherlands