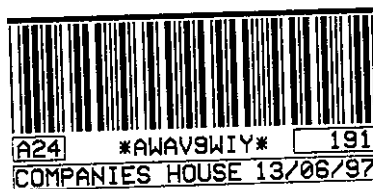


CAPPER ENGINEERING SERVICES LIMITED
REGISTERED NUMBER: 1794610

DIRECTORS' REPORT AND ACCOUNTS
FOR THE YEAR ENDED
31ST DECEMBER 1996



CAPPER ENGINEERING SERVICES LIMITED

COMPANY INFORMATION

DIRECTORS

G Burney
G Dorsner
D Moss
J O M Stanion
E M M Zeller

SECRETARY

D W Bowler

REGISTERED OFFICE

Astral House
Imperial Way
Watford
Hertfordshire
WD2 4YX

REGISTERED NUMBER

1794610

AUDITORS

Robson Rhodes
Colwyn Chambers
19 York Street
Manchester
M2 3BA

BANKERS

National Westminster Bank plc

DIRECTORS' REPORT

The Directors submit their report to the members, together with the audited accounts for the year ended 31st December 1996.

Principal activity

The principal activities of the company are pipework services and the installation of electrical and instrumentation equipment.

Results and dividends

The loss for the year amounted to £604,687 (1995: £45,123 loss). The Directors do not recommend the payment of a dividend, and the loss has, therefore, been transferred from reserves.

Although turnover rose by 19% since the previous year and gross profit margins remained steady, the higher level of administrative expenses contributed directly to the increased loss for the year.

The Company's activities will remain unchanged throughout the current financial year.

Share capital

On 25th July 1996 3,500,000 £1 ordinary shares were issued at par for cash.

By court order effective 27th December 1996 the issued share capital was reduced from £8,000,000 by £3,631,305 to £4,368,695.

Details of the authorised and issued share capital are shown in note 13 to the accounts.

Directors and their interests

The Directors of the Company who served during the year were:

G Burney
G Dornser
D Moss
J O M Stanion
J A T Woods - resigned 27/09/96
E M M Zeller

None of the Directors had a beneficial interest in the shares of the Company or any other company in the Group.

Employees

The Company has continued its policy regarding the employment of disabled persons. Full and fair consideration is given to applications for employment made by disabled persons, having regard to their particular aptitudes and abilities.

Communication and involvement

The Directors recognise the importance of good communications with the Company's employees and of informing them on a regular basis of the performance of the Company.

Health and safety

Health and safety issues figure prominently at Board level to ensure, as far as possible, the prevention of health risks or accidents to employees, contractors, sub-contractors, members of the public or any other persons who may come into contact with the Company's activities. Health and safety consultative committees operate at all levels and an annual report is produced highlighting trends and statistics in this vital area. The Company is proud of, but not complacent about, its safety record.

Auditors

Robson Rhodes are willing to continue in office and the Directors propose that they are reappointed in accordance with the elective resolution currently in force.

Directors' responsibilities

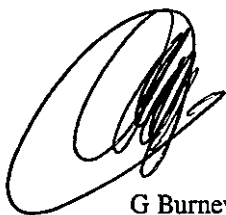
The following statement, which should be read in conjunction with the auditors' statement on page 4, is made to distinguish for the shareholders respective responsibilities of the Directors and the auditors in relation to the accounts.

Company law requires the Directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss for that period. In preparing these accounts the Directors have selected suitable accounting policies and applied them consistently, made judgements and estimates that are reasonable and prudent, followed applicable accounting standards and prepared the accounts on the going concern basis.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the accounts comply with the Companies Act 1985.

The Directors have a general responsibility to act in good faith in the interests of the Company and, accordingly, ensure that reasonable financial and other controls are adopted to safeguard the assets of the Company and to detect and reduce the risk of fraud and other irregularities.

By order of the Board



G Burney
Director
4th March 1997

Astral House
Imperial Way
Watford
Hertfordshire
WD2 4YX

AUDITORS' REPORT

TO THE MEMBERS OF CAPPER ENGINEERING SERVICES LIMITED

We have audited the accounts on pages 5 to 15 which have been prepared on the basis of the accounting policies set out on pages 7 and 8.

Respective responsibilities of Directors and auditors

As described on page 3 the Company's Directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, 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 accounts are free from material misstatement, whether caused by fraud or by other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company as at 31st December 1996 and of the result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Robson Rhodes
Chartered Accountants and Registered Auditors

Manchester
4th March 1997

CAPPER ENGINEERING SERVICES LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER 1996

	Notes	1996 £	1995 £
Turnover: continuing operations	1	27,822,852	23,351,544
Cost of sales		(26,068,555)	(21,838,643)
Gross profit		1,754,297	1,512,901
Administrative expenses		(2,043,481)	(1,430,648)
Operating (loss)/profit: continuing operations	2	(289,184)	82,253
Net interest payable	4	(372,054)	(328,376)
Loss on ordinary activities before taxation		(661,238)	(246,123)
Tax on loss on ordinary activities	5	56,551	201,000
Loss for the financial year	14	(604,687)	(45,123)

A Statement of Total Recognised Gains and Losses has not been prepared as the Company has no recognised gains or losses other than those reported above.

A note of Historical Cost Profits and Losses for the year has not been prepared on the basis that there is no difference between the result as disclosed in the Profit and Loss Account and the result on an unmodified historical cost basis.

CAPPER ENGINEERING SERVICES LIMITED

BALANCE SHEET
AT 31ST DECEMBER 1996

		1996 £	1995 £
	Notes		
Fixed assets			
Tangible assets	6	131,095	143,761
		<hr/>	<hr/>
Current assets			
Stocks	8	205,686	267,118
Debtors: due within one year	9	8,669,252	7,508,859
Debtors: due after more than one year	10	75,387	264,916
Cash at bank and in hand		630,174	7,699
		<hr/>	<hr/>
		9,580,499	8,048,592
Creditors: amounts falling due within one year	11	(5,264,447)	(6,644,330)
		<hr/>	<hr/>
Net current assets		4,316,052	1,404,262
		<hr/>	<hr/>
Total assets less current liabilities		4,447,147	1,548,023
		<hr/>	<hr/>
Creditors: amounts falling due after more than one year	12	(6,139)	(2,328)
		<hr/>	<hr/>
Net assets		4,441,008	1,545,695
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	13	4,368,965	4,500,000
Profit and loss account	14	72,043	(2,954,305)
		<hr/>	<hr/>
Total equity shareholders' funds	15	4,441,008	1,545,695
		<hr/>	<hr/>



G Burney
Director

Approved by the Directors on 4th March 1997

Accounting convention

The accounts have been prepared under the historical cost convention. The accounting policies adopted comply with UK Financial Reporting Standards and Statements of Standard Accounting Practice and are consistent with those of the previous period.

Cash flow statement

The Company has taken advantage of the exemption not to prepare a cash flow statement on the basis that it is a wholly owned subsidiary of a company incorporated in Great Britain.

Turnover

Turnover is the total amount receivable by the Company in the ordinary course of business with outside customers for goods supplied and services provided excluding VAT and trade discounts. On certain long term contracts the estimated sales value of work performed in the year is included.

Long term contracts

Long term contracts are those extending in excess of 12 months and of any shorter duration which are material to the activity of the period.

Amounts recoverable on contracts are included in debtors and are valued, inclusive of profit, at work executed at contract prices plus variations less payments on account. Profit on long term contracts is recognised once the outcome can be assessed with reasonable certainty. The margin on each contract is the lower of the margin earned to date and forecast at completion. Full provision is made for anticipated future losses and such losses are included in creditors. Where contract payments received exceed amounts recoverable these amounts are included in creditors.

Amounts recoverable normally include claims only when there is a firm agreement with the client, but when assessing anticipated losses on major contracts a prudent and reasonable estimate of claims is taken into account.

Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and estimated net realisable value.

Pension contributions

The Company is a member of a Group Pension Scheme, an externally managed and funded defined benefit scheme, details of which are included in the accounts of the parent company. Most monthly paid employees are eligible for pension and related benefits, the costs of which are calculated in accordance with actuarial advice and are paid into the defined benefit scheme. These costs are charged to the profit and loss account on a straight line basis over the anticipated service life of the employees concerned.

Leased assets

Where assets are financed by leasing agreements which give risk and rewards approximating to ownership ('finance leases') the assets are included in the balance sheet at cost less depreciation in accordance with the normal accounting policy. The present value of future rentals is shown as a liability. The interest element of rental obligations is charged to the profit and loss account over the period of the lease in proportion to the balance of capital repayments outstanding.

All other leases are regarded as operating leases and the total payments made under them are charged to the profit and loss account on a straight line basis over the lease terms.

Depreciation

The cost and valuation of tangible fixed assets is reduced to estimated residual values over anticipated useful lives on the following straight line bases:

Leasehold building	- the shorter of twenty five years or the remaining life of the lease
Plant and machinery	- from two to five years
Fixtures and fittings	- from three to ten years

Taxation

The charge or credit for taxation is based on the result for the year and takes into account taxation deferred or accelerated due to timing differences between the treatment of certain items for accounting and taxation purposes.

Deferred taxation is the taxation attributable to timing differences between profits computed for taxation purposes and profits as stated in the accounts. Provision is made for deferred taxation, under the liability method, except to the extent that there is a reasonable probability of the tax not falling due for payment in the foreseeable future.

NOTES TO THE ACCOUNTS
AT 31ST DECEMBER 1996

1. Turnover

The principal activity of the Company is pipework services. The Directors regard the whole of the activities of the Company as a single class of business. All of the turnover arose in the United Kingdom.

2. Operating (loss)/profit: continuing operations

This is stated after charging:

	1996 £	1995 £
Operating leases - plant and machinery	1,848,237	1,364,979
Operating leases - other	404,931	513,832
Depreciation of tangible assets	56,373	41,987
Auditors' remuneration	20,000	17,500

3. Employees

(i) Staff costs during the year amounted to:

	1996 £	1995 £
Wages and salaries	10,112,951	9,143,137
Social security costs	837,182	775,548
Other pension costs (Note (ii))	181,548	147,904
	<u>11,131,681</u>	<u>10,066,589</u>

The average weekly number of employees during the year was 427 (1995 - 392).

(ii) Pensions

Most pensions and related benefits for monthly paid staff of the Company are provided through the Norwest Holst Group Staff Pension Scheme, an externally managed and funded defined benefit scheme based on final remuneration levels. Members of the scheme are contracted out of the State Earnings Related Pension Scheme.

An independent professional actuarial valuation of the scheme was carried out as at 30th September 1994, details of which are disclosed in the accounts of Norwest Holst Limited. In accordance with Group policy, subsidiary undertakings continue to bear the relevant cost in respect of the employer's contributions but the effects of any actuarial surplus or deficit are dealt with in the accounts of the parent company, Sogea Investments.

The Company contribution rate required from 1st January 1996 was 12¼ % of pensionable salaries.

CAPPER ENGINEERING SERVICES LIMITED

NOTES TO THE ACCOUNTS (continued)
AT 31ST DECEMBER 1996

(iii) Directors' remuneration

	1996 £	1995 £
Emoluments	219,034	128,300
Compensation for loss of office	54,480	-
Pensions	24,390	13,700
	<hr/> 297,904	<hr/> 142,000

Directors' emoluments disclosed above include the following:

Chairman	-	-
	<hr/>	<hr/>
Highest paid Director	43,204	56,525
	<hr/>	<hr/>

Other Directors' emoluments, excluding pension contributions, fell within the following ranges:

	1996 No.	1995 No.
£0 - £5,000	2	2
£10,001 - £15,000	1	-
£25,001 - £30,000	-	1
£40,001 - £45,000	1	1

4. Net interest payable

	1996 £	1995 £
Interest payable Per group banking facility	372,606	330,240
Interest receivable	(552)	(1,864)
	<hr/> 372,054	<hr/> 328,376

CAPPER ENGINEERING SERVICES LIMITED

NOTES TO THE ACCOUNTS (continued)
AT 31ST DECEMBER 1996

5. Tax on loss on ordinary activities

The taxation credit comprised:

	1996 £	1995 £
UK group relief	56,551	201,000

6. Tangible assets

	Land and buildings £	Plant and machinery £	Fixtures and fittings £	Total £
Cost or valuation:				
At 1st January 1996	169,771	267,819	604,724	1,042,314
Additions	-	8,756	29,261	38,017
Disposals	-	(30,162)	(61,998)	(92,160)
Group transfers in	-	-	8,000	8,000
At 31st December 1996	169,771	246,413	579,987	996,171
Depreciation:				
At 1st January 1996	76,758	253,983	567,812	898,553
Provided	13,124	10,328	32,921	56,373
Disposals	-	(30,082)	(61,768)	(91,850)
Group transfers in	-	-	2,000	2,000
At 31st December 1996	89,882	234,229	540,965	865,076
Net book value:				
At 31st December 1996	79,889	12,184	39,022	131,095
At 31st December 1995	93,013	13,836	36,912	143,761

The above land and buildings are all short leasehold properties.

NOTES TO THE ACCOUNTS (continued)
AT 31ST DECEMBER 1996

7. Investments

The Company owns the whole of the issued share capital of Yeargrey Limited which was incorporated in the United Kingdom and is registered in England. Consolidated accounts have not been prepared because the Company is a wholly owned subsidiary undertaking of another company, incorporated in Great Britain.

Yeargrey Limited is dormant and the related cost of investment has already been fully written down in previous years.

8. Stocks and work in progress

	1996 £	1995 £
Raw materials and consumables	205,686	267,118

There was no significant difference between the replacement cost and the value disclosed for the above stock.

9. Debtors: due within one year

	1996 £	1995 £
Trade debtors	5,244,087	4,033,288
Amounts recoverable on contracts	2,807,115	2,785,811
Other debtors	48,193	16,193
Due from group undertakings	25,232	300,893
Due from related undertakings	187,688	367,163
Prepayments and accrued income	10,490	5,511
Taxation recoverable	346,447	-
	<u>8,669,252</u>	<u>7,508,859</u>

10. Debtors: due after more than one year

	1996 £	1995 £
Trade debtors	75,387	140,392
Due from related undertakings	-	124,524
	<u>75,387</u>	<u>264,916</u>

CAPPER ENGINEERING SERVICES LIMITED

NOTES TO THE ACCOUNTS (continued)
AT 31ST DECEMBER 1996

11. Creditors: amounts falling due within one year

	1996 £	1995 £
Bank overdrafts (note 18)	-	1,964,893
Trade creditors	1,082,110	1,516,837
Due to group undertakings	1,125,606	566,681
Due to related undertakings	92,077	102,649
Taxation and social security	293,225	298,376
Accruals and deferred income	2,671,429	2,194,894
	<hr/>	<hr/>
	5,264,447	6,644,330
	<hr/>	<hr/>

12. Creditors: amounts falling due after more than one year

	1996 £	1995 £
Trade creditors	6,139	2,328
	<hr/>	<hr/>

13. Share capital

Authorised, allotted and fully paid

	1996 No.	1995 No.	1996 £	1995 £
Ordinary shares of 10p each	43,689,650	45,000,000	4,368,965	4,500,000
	<hr/>	<hr/>	<hr/>	<hr/>

On 25th July 1996 the Company increased its authorised share capital to £8,000,000 and immediately issued 3,500,000 £1 ordinary shares at par.

By court order effective 27th December 1996 the authorised and issued share capital was reduced from £8,000,000 by £3,631,305 to £4,368,695.

14. Reserves

	Profit and loss account £
At 31st December 1995	(2,954,305)
Loss for the year	(604,687)
Capital reduction (note 13)	3,631,035
	<hr/>
At 31st December 1996	72,043
	<hr/>

CAPPER ENGINEERING SERVICES LIMITED

NOTES TO THE ACCOUNTS (continued)
AT 31ST DECEMBER 1996

15. Reconciliation of movement in shareholders' funds

	1996 £	1995 £
Total recognised losses	(604,687)	(45,123)
Share capital injection	3,500,000	-
Net increase/(decrease) in shareholders' funds	2,895,313	(45,123)
Opening shareholders' funds	1,545,695	1,590,818
Closing shareholders' funds	4,441,008	1,545,695

16. Capital commitments

The company had no capital commitments at 31st December 1996 or 31st December 1995.

17. Operating lease commitments

The Company has agreed to make payments in the year ending 31st December 1997 under operating leases expiring within the following periods of 31st December:

	1996 £	1995 £
Land and buildings - within 1 year	-	1,750
Other assets - within 1 year	2,640	4,616
- within 2 to 5 years	-	2,640
	2,640	9,006

18. Contingent liabilities

The Company has entered into guarantees relating to bonds, in the normal course of business, from which no losses are expected to arise.

Joint banking facilities available to the Company, its parent undertaking and fellow subsidiary undertakings are secured by cross guarantee.

19. Related party transactions

The Company has taken advantage of the exemption in Financial Reporting Standard 8 from disclosing related party transactions on the grounds that the consolidated accounts of the ultimate parent undertaking are publicly available.

20. Ultimate parent undertaking

At 31st December 1996, the ultimate parent undertaking was Compagnie Générale des Eaux SA, a company incorporated in France. Copies of the accounts of the above company can be obtained from the Company Secretary, Compagnie Générale des Eaux SA, 52 Rue D'Anjou, 75384 Paris. The parent undertaking of the smallest group of which the company is a member and for which group accounts are prepared is Norwest Holst Limited, which is registered in England. Copies of the above accounts may be obtained from the Company Secretary, Norwest Holst Limited, Astral House, Imperial Way, Watford, Hertfordshire, WD2 4YX.