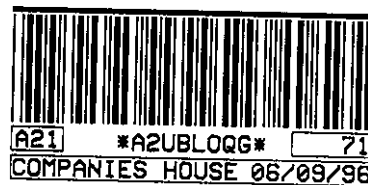


CAPPER ENGINEERING SERVICES LIMITED
(formerly: Capper Pipe Services Limited)
REGISTERED NUMBER: 1794610

DIRECTORS' REPORT AND ACCOUNTS
FOR THE YEAR ENDED
31ST DECEMBER 1995



CAPPER ENGINEERING SERVICES LIMITED

COMPANY INFORMATION

DIRECTORS

G Burney
G Dorsner
D Moss
J O M Stanion
J A T Woods
E M M Zeller

SECRETARY

P A Davies

REGISTERED OFFICE

Capper House
Ditton Road
Widnes
Cheshire
WA8 OPG

REGISTERED NUMBER

1794610

AUDITORS

Robson Rhodes
Colwyn Chambers
19 York Street
Manchester
M2 3BA

BANKERS

National Westminster Bank plc

CAPPER ENGINEERING SERVICES LIMITED

DIRECTORS' REPORT

The Directors submit their report to the members, together with the audited accounts for the year ended 31st December 1995.

Principal activity

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

Change of name

On 1st October 1995 the Company changed its name from Capper Pipe Services Limited to Capper Engineering Services Limited.

Results and dividends

The loss for the year amounted to £45,123 (1994: £7,653 profit). The Directors do not recommend the payment of a dividend, and the loss has, therefore, been transferred from reserves.

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

Directors and their interests

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

| | |
|---------------|----------------------|
| G Burney | |
| G Dornser | - appointed 12/04/95 |
| R B Hatfield | - resigned 31/05/95 |
| D Moss | |
| J O M Stanion | |
| J A T Woods | |
| 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.

Directors' and officers' liability insurance

During the year the Company has maintained cover for its Directors and officers in respect of certain liabilities which they may incur in carrying out their duties, as permitted under section 310 of the Companies Act 1985.

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.

CAPPER ENGINEERING SERVICES LIMITED

DIRECTORS' REPORT (continued)

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



J A T Woods
Director
20 March 1996

Capper House
Ditton Road
Widnes
Cheshire
WA8 0PG

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.

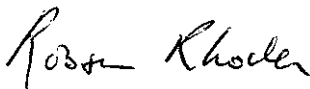
Basis of opinion

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 1995 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
20 March 1996

CAPPER ENGINEERING SERVICES LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31ST DECEMBER 1995

| | Notes | 1995 £ | 1994 £ |
|--|-------|--------------|--------------|
| Turnover: continuing operations | 1 | 23,351,544 | 19,387,966 |
| Cost of sales | | (21,838,643) | (18,015,665) |
| Gross profit | | 1,512,901 | 1,372,301 |
| Administrative expenses | | (1,430,648) | (1,198,925) |
| Operating profit: continuing operations | 2 | 82,253 | 173,376 |
| Net interest payable | 4 | (328,376) | (165,723) |
| (Loss)/profit on ordinary activities before taxation | | (246,123) | 7,653 |
| Tax on (loss)/profit on ordinary activities | 5 | 201,000 | - |
| (Loss)/profit for the financial year | 14 | (45,123) | 7,653 |

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 1995

| | | 1995 £ | 1994 £ |
|--|-------|-------------|-------------|
| | Notes | | |
| Fixed assets | | | |
| Tangible assets | 6 | 143,761 | 137,544 |
| | | | |
| Current assets | | | |
| Stocks | 8 | 267,118 | 198,002 |
| Debtors: due within one year | 9 | 7,508,859 | 6,859,157 |
| Debtors: due after more than one year | 10 | 264,916 | - |
| Cash at bank and in hand | | 7,699 | 7,369 |
| | | | |
| | | 8,048,592 | 7,064,528 |
| Creditors: amounts falling due within one year | 11 | (6,644,330) | (5,611,254) |
| | | | |
| Net current assets | | 1,404,262 | 1,453,274 |
| | | | |
| Total assets less current liabilities | | 1,548,023 | 1,590,818 |
| | | | |
| Creditors: amounts falling due after more than one year | 12 | (2,328) | - |
| | | | |
| Net assets | | 1,545,695 | 1,590,818 |
| | | | |
| Capital and reserves | | | |
| Called up share capital | 13 | 4,500,000 | 4,500,000 |
| Profit and loss account | 14 | (2,954,305) | (2,909,182) |
| | | | |
| Total equity shareholders' funds | 15 | 1,545,695 | 1,590,818 |



J A T Woods
Director

Approved by the Directors on 20 March 1996

CAPPER ENGINEERING SERVICES LIMITED

ACCOUNTING POLICIES

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.

CAPPER ENGINEERING SERVICES LIMITED

ACCOUNTING POLICIES (continued)

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.

CAPPER ENGINEERING SERVICES LIMITED

NOTES TO THE ACCOUNTS
AT 31ST DECEMBER 1995

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 profit: continuing operations**

This is stated after charging:

| | 1995 £ | 1994 £ |
|--|-----------|-----------|
| Operating leases - plant and machinery | 1,769,127 | 1,159,516 |
| Operating leases - other | 109,684 | 166,240 |
| Depreciation of tangible assets | 41,987 | 80,381 |
| Auditors' remuneration | 17,500 | 15,000 |

3. **Employees**

(i) Staff costs during the year amounted to:

| | 1995 £ | 1994 £ |
|---------------------------------|-------------------|------------------|
| Wages and salaries | 9,143,137 | 8,198,601 |
| Social security costs | 775,548 | 704,563 |
| Other pension costs (Note (ii)) | 147,904 | 113,856 |
| | <u>10,066,589</u> | <u>9,017,020</u> |

The average weekly number of employees during the year was 392 (1994 - 388).

(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 1995 was 12¼ % of pensionable salaries.

The next actuarial valuation of the scheme will be carried out at 30th September 1997.

CAPPER ENGINEERING SERVICES LIMITED

NOTES TO THE ACCOUNTS (continued)
AT 31ST DECEMBER 1995

(iii) Directors' remuneration

| | 1995 £ | 1994 £ |
|------------|---------------|---------------|
| Emoluments | 125,047 | 136,348 |
| Pensions | 13,700 | 14,750 |
| | <hr/> 138,747 | <hr/> 151,098 |

Directors' emoluments disclosed above include the following:

| | | |
|-----------------------|--------------|--------------|
| Chairman | - | - |
| Highest paid Director | <hr/> 56,525 | <hr/> 51,047 |

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

| | 1995 No. | 1994 No. |
|-------------------|-------------|-------------|
| £0 - £5,000 | | 2 |
| £40,001 - £45,000 | | 2 |

4. Net interest payable

| | 1995 £ | 1994 £ |
|----------------------------|---------------|---------------|
| Interest payable | | |
| Per group banking facility | 330,240 | 165,000 |
| Other interest | - | 2,707 |
| Finance lease | - | 2,167 |
| | <hr/> 330,240 | <hr/> 169,874 |
| Interest receivable | (1,864) | (4,151) |
| | <hr/> 328,376 | <hr/> 165,723 |

CAPPER ENGINEERING SERVICES LIMITED

NOTES TO THE ACCOUNTS (continued)
AT 31ST DECEMBER 1995

5. Tax on (loss)/profit on ordinary activities

The taxation credit for the year comprised:

| | 1995 £ | 1994 £ |
|-----------------|-----------|-----------|
| UK group relief | 201,000 | - |

6. Tangible assets

| | Land and buildings £ | Plant and machinery £ | Fixtures and fittings £ | Total £ |
|-----------------------|----------------------------|-----------------------------|-------------------------------|------------|
| Cost or valuation: | | | | |
| At 1st January 1995 | 120,573 | 236,359 | 425,485 | 782,417 |
| Additions | 10,227 | - | 25,289 | 35,516 |
| Group transfers in | 38,971 | 31,460 | 179,341 | 249,772 |
| Group transfers out | - | - | (25,391) | (25,391) |
| At 31st December 1995 | 169,771 | 267,819 | 604,724 | 1,042,314 |
| Depreciation: | | | | |
| At 1st January 1995 | 25,751 | 207,632 | 411,490 | 644,873 |
| Provided | 12,036 | 14,916 | 15,035 | 41,987 |
| Group transfers in | 38,971 | 31,435 | 156,806 | 227,212 |
| Group transfers out | - | - | (15,519) | (15,519) |
| At 31st December 1995 | 76,758 | 253,983 | 567,812 | 898,553 |
| Net book value: | | | | |
| At 31st December 1995 | 93,013 | 13,836 | 36,912 | 143,761 |
| At 31st December 1994 | 94,822 | 28,727 | 13,995 | 137,544 |

The above land and buildings are all short leasehold properties.

CAPPER ENGINEERING SERVICES LIMITED

NOTES TO THE ACCOUNTS (continued)
AT 31ST DECEMBER 1995

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

| | 1995 £ | 1994 £ |
|-------------------------------|-----------|-----------|
| Raw materials and consumables | 267,118 | 198,002 |

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

9. Debtors: amounts falling due within one year

| | 1995 £ | 1994 £ |
|----------------------------------|------------------|------------------|
| Trade debtors | 4,033,288 | 2,083,344 |
| Amounts recoverable on contracts | 2,785,811 | 3,737,200 |
| Other debtors | 16,193 | 37,993 |
| Due from group undertakings | 300,893 | 857,147 |
| Due from related undertakings | 367,163 | 80,583 |
| Prepayments and accrued income | 5,511 | 14,753 |
| Taxation | - | 48,137 |
| | <u>7,508,859</u> | <u>6,859,157</u> |

10. Debtors: amounts falling due after more than one year

| | 1995 £ | 1994 £ |
|-------------------------------|----------------|-----------|
| Trade debtors | 140,392 | - |
| Due from related undertakings | 124,524 | - |
| | <u>264,916</u> | <u>-</u> |

CAPPER ENGINEERING SERVICES LIMITED

NOTES TO THE ACCOUNTS (continued)
AT 31ST DECEMBER 1995

11. Creditors: amounts falling due within one year

| | 1995 £ | 1994 £ |
|------------------------------|-----------------------|-----------------------|
| Bank overdrafts (note 18) | 1,964,893 | 2,144,325 |
| Trade creditors | 1,516,837 | 930,016 |
| Due to group undertakings | 566,681 | 823,828 |
| Due to related undertakings | 102,649 | 308,100 |
| Taxation and social security | 298,376 | 207,605 |
| Accruals and deferred income | 2,194,894 | 1,197,380 |
| | <hr/> 6,644,330 <hr/> | <hr/> 5,611,254 <hr/> |

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

| | 1995 £ | 1994 £ |
|-----------------|-------------------|---------------|
| Trade creditors | 2,328 | - |
| | <hr/> 2,328 <hr/> | <hr/> - <hr/> |

13. Share capital

Authorised, allotted and fully paid

| | 1995 No. | 1994 No. | 1995 £ | 1994 £ |
|-----------------------------|------------------------|------------------------|-----------------------|-----------------------|
| Ordinary shares of 10p each | 45,000,000 | 45,000,000 | 4,500,000 | 4,500,000 |
| | <hr/> 45,000,000 <hr/> | <hr/> 45,000,000 <hr/> | <hr/> 4,500,000 <hr/> | <hr/> 4,500,000 <hr/> |

14. Reserves

| | Profit and loss account £ |
|-----------------------|---------------------------------|
| At 31st December 1994 | (2,909,182) |
| Loss for the year | (45,123) |
| | <hr/> (2,954,305) <hr/> |
| At 31st December 1995 | (2,954,305) |

CAPPER ENGINEERING SERVICES LIMITED

NOTES TO THE ACCOUNTS (continued)
AT 31ST DECEMBER 1995

15. Reconciliation of movement in shareholders' funds

| | 1995 £ | 1994 £ |
|-------------------------------------|-----------|-----------|
| Total recognised (losses)/profits | (45,123) | 7,653 |
| Revaluation of property | - | (49,255) |
| Net decrease in shareholders' funds | (45,123) | (41,602) |
| Opening shareholders' funds | 1,590,818 | 1,632,420 |
| Closing shareholders' funds | 1,545,695 | 1,590,818 |

16. Capital commitments

The company had no capital commitments at 31st December 1995 or 31st December 1994.

17. Operating lease commitments

The Company has agreed to make payments in the year ending 31st December 1996 under operating leases expiring within the following periods of 31st December:

| | 1995 £ | 1994 £ |
|--|-----------|-----------|
| Land and buildings - within 2 to 5 years | 1,750 | 93,885 |
| Other assets - within 2 to 5 years | 7,256 | 13,052 |
| | 9,006 | 106,937 |

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.

CAPPER ENGINEERING SERVICES LIMITED

NOTES TO THE ACCOUNTS (continued)
AT 31ST DECEMBER 1995

19. Ultimate parent undertaking

At 31st December 1995, 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.