ARTHUR ANDERSEN

ACWa Services Limited

Accounts 31 December 2000

together with directors' and auditors' reports

Registered number: 2024837

Directors' report

For the year ended 31 December 2000

The directors present their annual report on the affairs of the company, together with the accounts and auditors' report, for the year ended 31 December 2000.

Principal activities and business review

The principal activities of the company are the design and construction of air, water and effluent treatment plants.

Results and dividends

The loss for the year after tax amounted to £985,855. The directors are unable to recommend the payment of a dividend for the year.

Directors

The directors who served during the year were as follows:

P. G. Ripley
J. S. Parratt
W. S. Khouri
H. T. B. Akkawi
J. M. Brawley

Directors interests in shares

The directors in office at 31 December 2000 who had beneficial interests in the issued share capital of the company at that date and corresponding details at 31 December 1999 were as follows:

	Ordinary shares of £1 each	
	31 December 2000 Number	31 December 1999 Number
P. G. Ripley	13,500	13,500
J. S. Parratt	5,250	5,250

The directors had no other interests that are required to be disclosed under Section 234 of the Companies Act 1985.

Auditors

The directors will place a resolution before the Annual General Meeting to reappoint Arthur Andersen as auditors for the ensuing year.

ACWa House
Keighley Road
Skipton
North Yorkshire
BD23 2UE

By order of the Board

S.El-Dabbagh
Secretary

8 June 2001

Directors' responsibilities

Company law requires the directors to prepare accounts for each financial period which 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 those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts 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 accounts 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.

ARTHUR ANDERSEN

To the Shareholders of ACWa Services Limited:

We have audited the accounts on pages 5 to 16 which have been prepared under the historical cost convention and the accounting policies set out on pages 7 to 9.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 circumstances of the company, 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 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 at 31 December 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen

Arthur Andersen
Chartered Accountants and Registered Auditors

1 City Square
Leeds
LS1 2AL

8 June 2001

Profit and loss account

For the year ended 31 December 2000

	Note	2000 £	1999 £
Turnover	1	10,416,891	7,799,845
Cost of sales		(9,377,091)	(6,554,762)
Gross profit		1,039,800	1,245,083
Administrative expenses		(1,853,474)	(1,723,705)
Operating loss		(813,674)	(478,622)
Interest receivable and similar income	2	936	2,401
Interest payable and similar charges	3	(173,110)	(157,688)
Loss on ordinary activities before taxation	4	(985,848)	(633,909)
Tax on loss on ordinary activities	6	(7)	(4,008)
Retained loss for the financial year		(985,855)	(637,917)
Retained loss, beginning of year		(2,520,935)	(1,883,018)
Retained loss, end of year		(3,506,790)	(2,520,935)

There were no recognised gains or losses in either year, other than the loss for each year. All of the above results derive from continuing activities and there were no acquisitions in the period.

The accompanying notes are an integral part of this profit and loss account.

Balance sheet

31 December 2000

	Note	2000 £	1999 £
Fixed assets			
Intangible assets	7	6,757	8,687
Tangible assets	8	822,760	642,663
Investments	9	972	972
		830,489	652,322
Current assets			
Stocks	10	20,494	27,749
Debtors	11	4,072,686	5,418,978
Cash at bank and in hand		90,831	139,810
		4,184,011	5,586,537
Creditors: Amounts falling due within one year	12	(5,941,205)	(7,679,709)
Net current liabilities		(1,757,194)	(2,093,172)
Total assets less current liabilities and net assets		(926,705)	(1,440,850)
Creditors: Amounts falling due after more than one year	13	1,500,000	-
Capital and reserves			
Called-up share capital	14	1,080,085	1,080,085
Profit and loss account		(3,506,790)	(2,520,935)
Shareholders' deficit	15	(2,426,705)	(1,440,850)
		(926,705)	(1,440,850)

The amount of the shareholders' deficit attributable to equity interests was £3,319,290 (1999: £2,333,435) and the amount of shareholders' funds attributable to non-equity interests was £892,585 (1999 : £892,585).

The accounts on pages 5 to 16 were approved by the board of directors on 8 June 2001 and signed on its behalf by:

P. G. Ripley

P.G. Ripley Director

8 June 2001

The accompanying notes are an integral part of this balance sheet.

Statement of accounting policies

31 December 2000

The principal accounting policies, all of which have been consistently applied throughout the year and the preceding year, are set out below.

Basis of accounting

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

Under the provisions of Financial Reporting Standard No. 1 (Revised), the company has not prepared a cash flow statement because its parent company, Consolidated Contractors International (UK) Limited, which is incorporated in Great Britain, has prepared consolidated accounts which include the results of the company for the year.

At 31 December 2000, the liabilities of the company exceeded its assets. However, the accounts have been prepared on the going concern basis as the parent company, Consolidated Contractors International (UK) Limited, has confirmed its intention to continue to provide adequate financial support to enable the company to continue to trade for the foreseeable future.

Turnover

Turnover comprises the value of sales (excluding VAT and trade discounts) of goods and services provided in the normal course of business. Turnover represents, in the case of long-term contracts, the proportion of contract value applicable to the activity in the year, ascertained by reference to costs incurred in the year. These costs are matched with this turnover, resulting in the reporting of attributable profit proportionate to the contract activity.

Foreign currency

Transactions denominated in foreign currencies are recorded in sterling at actual exchange rates as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

Pension costs

The company operates a managed pension scheme for certain directors. The scheme operates on a defined contribution basis and costs are charged to the profit and loss account as incurred.

Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred taxation is provided using the liability method to the extent that the directors believe it is likely to become payable in the foreseeable future.

Tax benefits arising from receipt of surrendered losses from the parent company are recognised in the accounts of the surrendering and recipient companies.

Intangible assets

Patents and know-how are included at cost and depreciated in equal annual installments over a period of ten years which represents their estimated useful economic life.

Tangible fixed assets

Tangible fixed assets are shown at cost net of depreciation and any provision for impairment.

Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset on a straight line or reducing balance basis over its expected useful life, as follows:

Freehold buildings	4% per annum straight line
Plant and machinery	25% per annum reducing balance
Fixtures and fittings	25% per annum reducing balance
Computer equipment	25% per annum straight line
Motor vehicles	25% per annum reducing balance

Depreciation is not provided on assets in the course of construction.

Investments

Fixed asset investments are shown at cost less provisions for impairment in value. Income is included in the accounts of the year in which it is receivable.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Net realisable value is based on estimated normal selling price less further costs expected to be incurred to completion and disposal.

Provision is made for obsolete, slow-moving or defective items where appropriate.

Long term contracts

Estimates of total contract costs and revenues are reviewed periodically, and the cumulative effects of changes are recognised in the period in which they are identified.

The stage of completion of long-term contract work in progress is measured based upon the proportion of costs incurred to date. Revenue is recognised to provide profit consistent with the stage of completion. All known anticipated losses are provided for in full as soon as they are foreseen.

Revenues recognised in excess of amounts billed are included in debtors. Amounts billed in excess of revenues recognised are deducted from related long-term contract balances with any residual balance classified as payments on account and included in creditors.

Warranty provisions

A provision for warranty costs is established upon the completion of a contract, in circumstances where either a retention period exists or where foreseeable additional costs arise.

Leases and hire purchase contracts

Rentals under operating leases are charged to the profit and loss account as incurred.

Assets held under hire purchase contracts are initially reported at the fair value of the asset, with an equivalent liability categorised as appropriate under creditors due within or after one year. The asset is depreciated over the shorter of the contract term and its useful economic life. Finance charges are allocated to accounting periods over the period of the contract to produce a constant rate of return on the outstanding balance. Rentals are apportioned between finance charges and reduction of the liability, and allocated to cost of sales and other operating expenses as appropriate.

Notes to accounts
31 December 2000

1 Turnover
Turnover arose in the UK and is wholly attributable to the company's principal activity. An analysis of turnover by geographical market is shown below:

	2000 £	1999 £
United Kingdom	8,735,019	4,970,296
Europe	147,663	154,582
Middle East	1,396,673	2,395,152
Asia	136,636	270,462
Africa	900	9,353
	10,416,891	7,799,845

2 Interest receivable and similar income

	2000 £	1999 £
Interest	858	2,401
Other income	78	-
	936	2,401

3 Interest payable and similar charges

	2000 £	1999 £
On bank loans and overdrafts	173,110	157,625
On other loans	-	63
	173,110	157,688

4 Loss on ordinary activities before taxation
Loss on ordinary activities before taxation is stated after charging:

	2000 £	1999 £
Depreciation - owned assets	140,368	69,726
Amortisation of patents and know-how	1,930	1,931
Loss on disposal of fixed assets	19,745	8,280
Operating lease rentals	104,211	108,537
Staff costs (note 5)	1,271,914	1,133,874
Auditors' remuneration: - audit services	11,000	11,000
- non-audit services	6,050	2,300

5 Staff costs

Particulars of employees (including executive directors) are as shown below:

Employee costs during the year amounted to:

	2000 £	1999 £
Wages and salaries	1,119,740	993,066
Social security costs	109,004	98,253
Other pension costs	43,170	42,555
	1,271,914	1,133,874

The average monthly number of persons employed by the company during the year was:

	2000 Number	1999 Number
Engineering and design	34	29
Management and administration	12	10
	46	39

Directors' remuneration:

The employee costs shown above include the following amounts in respect of directors of the company:

	2000 £	1999 £
Emoluments	124,838	117,078
Company contributions to money purchase pension schemes	16,351	20,591
	141,189	137,669

The number of directors who were members of pension schemes was as follows:

	2000 Number	1999 Number
Money purchase schemes	2	2

6 Tax on loss on ordinary activities

The tax charge is based on the loss for the year and comprises:

	2000	1999
	£	£
UK Corporation tax:		
Adjustment in respect of prior year	7	4,008

There is no deferred taxation liability at either 31 December 2000 or 31 December 1999.

Deferred taxation provided and not provided are as follows:

	Provided		Not provided	
	2000	1999	2000	1999
	£	£	£	£
Accelerated capital allowances	14,859	61,450	14,859	61,450
Tax losses available	(14,859)	(61,450)	(124,874)	(124,847)
	-	-	(110,015)	(63,397)

7 Intangible fixed assets

	Patents and know – how £
Cost	
Beginning of year and end of year	19,306
Depreciation	
Beginning of year	10,619
Amortisation	1,930
End of year	12,549
Net book value	
End of year	6,757
Beginning of year	8,687

8 Tangible fixed assets

	Freehold land & buildings £	Plant, fixtures & fittings £	Motor vehicles £	Assets in course of construction £	Total £
Cost					
Beginning of year	327,712	468,956	-	292,670	1,089,338
Additions	544	247,502	92,443	-	340,489
Transfer	-	292,670	-	(292,670)	-
Disposals	(16,535)	(94,494)	-	-	(111,029)
End of year	311,721	914,634	92,443	-	1,318,798
Depreciation					
Beginning of year	(92,758)	(353,917)	-	-	(446,675)
Charge for year	(13,116)	(114,046)	(13,206)	-	(140,368)
Disposals	2,736	88,269	-	-	91,005
End of year	(103,138)	(379,694)	(13,206)	-	(496,038)
Net book value					
End of year	208,583	534,940	79,237	-	822,760
Beginning of year	234,954	115,039	-	292,670	642,663

9 Fixed asset investments

	2000 £	1999 £
Shares in UK listed companies	972	972

10 Stocks

	2000 £	1999 £
Raw materials and consumables	20,494	27,749

11 Debtors

Amounts falling due within one year:

	2000 £	1999 £
Trade debtors	1,863,377	2,400,015
Amounts recoverable on contracts	1,349,122	2,365,563
Amounts owed by other group undertakings	610,481	418,261
VAT recoverable	102,406	-
Other debtors	28,220	51,026
Prepayments and accrued income	119,080	184,113
	4,072,686	5,418,978

12 Creditors: Amounts falling due within one year

	2000 £	1999 £
Bank overdraft	2,035,452	2,712,274
Payments received on account	636,759	409,100
Trade creditors	2,086,992	3,411,953
Amounts owed to other group undertakings	561,898	698,602
Other creditors		
- social security and PAYE	35,089	29,765
- VAT	14,775	58,301
Accruals and deferred income	570,240	359,714
	5,941,205	7,679,709

The bank overdraft is secured by a fixed and floating charge on the company's assets.

13 Creditors: Amounts falling due after more than one year

On 21 August 2000, a subordinated loan of £1,500,000 was made to the company from its immediate parent undertaking, Consolidated Contractors International (UK) Ltd. The loan is interest free.

14 Called-up share capital

	2000	1999
	£	£
Authorised:		
187,500 ordinary shares of £1 each	187,500	187,500
187,500 LIBOR plus 1½% cumulative non-redeemable preference shares of £1 each	187,500	187,500
705,085 LIBOR plus 1½% cumulative redeemable preference shares of £1 each	705,085	705,085
	1,080,085	1,080,085
Allotted, called-up and fully paid:		
187,500 ordinary shares of £1 each	187,500	187,500
187,500 LIBOR plus 1½% cumulative non-redeemable preference shares of £1 each	187,500	187,500
705,085 LIBOR plus 1½% cumulative redeemable preference shares of £1 each	705,085	705,085
	1,080,085	1,080,085

The preference shares carry an entitlement to dividend at a rate of LIBOR plus 1.5% pa on the nominal amount paid up on each of the shares.

Holders of the preference shares above hold the right on winding up to receive, in priority to any other classes of shares, the nominal amounts paid up together with any arrears of dividend.

Holders of the preference shares are not entitled to attend or vote at meetings of the Members unless the dividend is outstanding. In such circumstances the holder has one vote for each share held.

The redeemable shares may be redeemed at par at any time on the company giving one month's notice.

15 Reconciliation of movements in shareholders' deficit

	2000	1999
	£	£
Retained loss for the year and net increase in shareholders' deficit	(985,855)	(637,917)
Opening shareholders' deficit	(1,440,850)	(802,933)
Closing shareholders' deficit	(2,426,705)	(1,440,850)

16 Guarantees and other financial commitments

a. Capital commitments

There were no capital commitments at either 31 December 2000 or 31 December 1999.

b. Contingent liabilities

The company had contingent liabilities in the normal course of business of £575,083 (1999 - £677,272) arising in respect of other guarantees on trading contracts.

c. Lease commitments

The company has a lease agreement in respect of land, the payments for which extend over a period of up to 99 years. The future cost per annum is a nominal amount.

The company has commitments in respect of motor vehicles under operating leases as follows:

Leases which expire	2000 £	1999 £
Within one year	69,288	15,211
Between two and five years	30,000	78,061
Total	99,288	93,272

17 Related party disclosures

The company is a 90% subsidiary undertaking of Consolidated Contractors International (UK) Limited, registered in England. This is the smallest group in which the results of the company are consolidated. The largest group in which the results of the company are consolidated is that headed by the ultimate parent company, Consolidated Contractors Group SAL, a company incorporated in The Lebanon. The consolidated accounts of this company are not available to the public.

As a subsidiary undertaking of Consolidated Contractors International (UK) Limited, the company has taken advantage of the exemption in FRS8 'Related party disclosures' not to disclose transactions with other members of the group headed by Consolidated Contractors International (UK) Limited.