

A H BALL & COMPANY LIMITED

REPORT AND ACCOUNTS

at

31st December 2001

Registered in England
No 3563924



A H BALL & COMPANY LIMITED

REPORT AND ACCOUNTS at 31st December 2001

CONTENTS

1 - 4	Report of the directors
5	Directors' responsibilities
6	Report of the Independent Auditors
7	Profit and Loss account
8	Balance Sheet
9	Statement of recognised gains and losses and of movement in shareholders' funds.
10 -13	Notes to the accounts
14 -15	Principal accounting policies

A H BALL & COMPANY LIMITED

REPORT OF THE DIRECTORS

For the year ended 31st December 2001

The directors have pleasure in submitting their Report and Accounts for the year ended 31 December 2001.

Principal Activity and Review of Operations

The principal activity of the company continued to be that of civil engineering, primarily for the water industry, and other utility industries.

The results for the year are set out on page 7.

Safety

A H Ball & Company Limited is committed to the health and safety of all employees and other persons who may be affected by its activities, by the provision and maintenance, so far as is reasonably practicable, of safe and healthy working conditions, safe plant, practices and systems of work.

Health and safety programmes are administered to ensure that the policy commitments of the company are implemented.

Line managers and supervisors, assisted by specialist staff, are held accountable for the implementation of such health and safety programmes. Line management is also required to prepare and maintain the detailed organisation and arrangements necessary to support policy and programme implementation. Audit procedures are established to monitor policy and programme implementation.

All employees have a responsibility for their own safety and the safety of others. They are kept informed of health and safety issues through training and consultation.

It is the policy of A H Ball & Company Limited to:

- o provide a place of work that is safe and without risk to the health, safety and welfare of all its employees, independent contractors, members of associated companies and the general public, so far as it is reasonably practicable;
- o provide adequate training;
- o seek continually to improve its health, safety and welfare performance;
- o monitor the performance of activities against this policy statement;
- o make safety an integral part of the management of the company;
- o comply fully with the law;
- o make regular reviews of this policy and to institute improvements, where possible;
- o consult with employees and to encourage their constructive contribution to the development of safety policy, to the implementation of safety management systems, to increase their awareness of health and safety and to ensure that all necessary measures are taken to make this policy effective;
- o sustain and develop this policy by the implementation of safety management systems.

A H BALL & COMPANY LIMITED

REPORT OF THE DIRECTORS (continued)

Employment

The company is an Equal Opportunities Employer and its policy is to provide equal opportunities for all, regardless of race, religion, sex or disablement.

The company recognises the importance of good communications and relations with employees.

Employees are encouraged to become aware of and promote the overall work and performance of the parent Group, John Mowlem & Company PLC. The Group SAYE share option scheme offers United Kingdom employees a convenient tax effective and economical way to save and acquire Ordinary Shares. Each employee receives periodic copies of a house journal and across the Group, staff representatives serve as trustees in the administration of the Group pension scheme.

The company's policy on the employment of disabled persons is to follow the provisions and guidance incorporated in the Disability Discrimination Act 1995. We, therefore, give full consideration to applications for employment from disabled persons, having regard to their particular aptitude and abilities, as well as to safety and environmental circumstances. In addition we endeavour to maintain the employment of employees who become disabled during their employment with the company.

A H Ball & Company Limited recognises that the training and development of its employees, to maximise their efficiency at work and their potential to meet future business needs, makes a fundamental contribution to the continuing growth and profitability of the company and of the parent Group.

In particular, training and development:

- o assists in identifying and realising profitable opportunities for maintaining and expanding the company's activities;
- o improves the management of its employees at all levels creating conditions in which they are encouraged and motivated to use and develop their own potential to contribute towards achieving the company's objectives;
- o enable all operations to be carried out in such a way as to safeguard the health and welfare of all its employees, independent contractors, members of associated companies and the general public, so far as is reasonably practicable.

As part of business planning there will be a regular analysis of employee training and development required to meet overall business objectives.

The company is concerned with stability and growth and will therefore provide for succession and planned expansion. Such provision shall include the active development of its employees for planned roles.

Employees have a duty to participate fully in any training provided by the company, the development of employees' potential being a shared commitment.

Training and development activities will be evaluated to monitor their effectiveness.

A H BALL & COMPANY LIMITED

REPORT OF THE DIRECTORS (continued)

Quality

The company's activities are covered by registration with the BSI to BS EN ISO 9002 : 1994.

Environmental

The company remains committed to the preservation and protection of the environment and promoting sustainable development through its activities. The company is also committed to continually improving its environmental performance and to this end it is involved in a number of initiatives including participation in Government and Industry schemes to enhance the management of environmental issues.

These aims are embodied in the Environmental Policy for the company, which as part of our on going programme of continuous improvement, was reviewed and re-issued in May 2001 as follows:-

It is policy of the company to:-

- o seek to minimise the environmental impacts of its activities, prevent pollution and continually improve its environmental performance;
- o employ systems and procedures that ensure the company's compliance with all relevant laws and regulations relating to the environment;
- o promote sustainable development, in partnership with its stakeholders by conserving energy, materials and resources through minimising consumption and maximising efficiency;
- o provide employee training to enhance environmental awareness of the potential impacts from operations and the use of suitable control measures;
- o introduce Environmental Supply Chain Management to encourage suppliers to minimise the use of materials, energy or processes which may be harmful to the environment;
- o implement site specific safety and environmental plans;
- o set objectives and targets to monitor environmental performance.

The participation and co-operation of all employees is vital to the success of this policy.

Creditor payment policies

The company does not follow any code or standard on payment practice as it is the company's policy to tie creditors promptly on mutually agreed terms. The terms will vary from supplier to supplier and suppliers will be aware of the terms of payment.

For smaller suppliers where no terms are agreed, payment will normally be made in the month following receipt of goods or services, or shortly thereafter.

A H BALL & COMPANY LIMITED

REPORT OF THE DIRECTORS (continued)

Directors and Directors' Interests

The names of the directors holding office at the date of this Report and their beneficial interests in the ordinary share capital of the parent company, John Mowlem & Company PLC are as follows:-

	Beneficial interest as at		SAYE as at	
	1.1.01	31.12.01	1.1.01	31.12.01
C P Davis	-	-	-	-
PA Doyle	-	-	-	1,937
W L Green	-	-	-	-
G P Sivey	-	-	4,725	1,845

Mr WL Green resigned on 16th July 2002.

Except as noted above, according to the register of directors' interests, no rights to subscribe for shares of the company were granted to any of the directors or their immediate families, or exercised by them during the period.

There were no contracts or arrangements in which the directors of the company had interests which are required to be disclosed under the Companies Act 1963 to 1999.

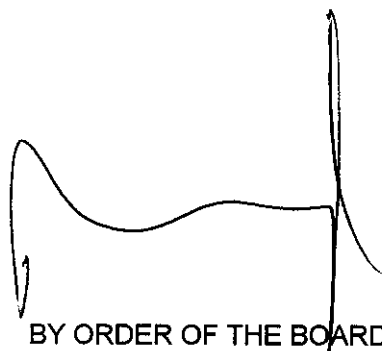
Dividends

No dividend has been proposed in respect of the year ended 31st December 2001 (2000 : nil).

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the appointment of KPMG Audit Plc as auditors will be proposed at the Annual General Meeting.

White Lion Court
Swan Street
Isleworth
Middlesex, TW7 6RN



BY ORDER OF THE BOARD

A H BALL & COMPANY LIMITED

DIRECTORS' RESPONSIBILITIES

in respect of the preparation of 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 of the company for that period. In preparing those accounts, the directors are required to:

- o select suitable accounting policies and then apply them consistently;
- o make judgements and estimates that are reasonable and prudent;
- o state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- o 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

REPORT OF THE INDEPENDENT AUDITORS

To the shareholders of A H BALL & COMPANY LIMITED

We have audited the accounts on pages 7 to 15.

Respective responsibilities of directors and auditors

The directors are responsible for the preparing the directors' report and, as described on page 5 the financial statements in accordance with applicable United Kingdom 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.

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 if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of audit 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 financial statements. It also includes an assessment of the significant estimates and judgements 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company at 31st December 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


KPMG Audit Plc
Chartered Accountants
Registered Auditor

13 December 2002

KPMG Audit Plc
PO Box 695
8 Salisbury Square
London
EC4Y 8BB

A H BALL & COMPANY LIMITED**PROFIT AND LOSS ACCOUNT for the year ended 31st December 2001**

	Notes	2001 £	2000 £
Turnover		5,906,364	4,171,924
Operating costs less other income	1	(7,119,219)	(3,745,618)
Operating profit / (loss) before interest		(1,212,855)	426,306
Interest Payable	3	(76,875)	(12,013)
Profit / (loss) on ordinary activities before taxation		(1,289,730)	414,293
Taxation	4	0	0
Retained profit / (loss)	9	(1,289,730)	414,293

A statement of movements on reserves is given in note 9.

All activities are continuing.

The company has no recognised gains or losses other than those shown in the profit and loss account.

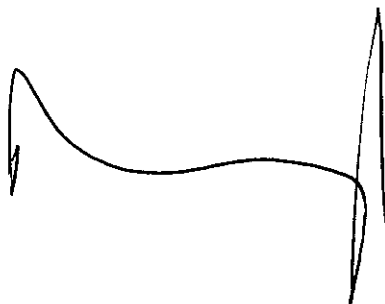
There is no difference between the loss on ordinary activities before taxation and the retained loss for the financial year and their historic equivalents.

A H BALL & COMPANY LIMITED

BALANCE SHEET at 31st December 2001

	Notes	2001 £	2000 £
Tangible fixed assets	5	16,612	29,476
Current assets			
Debtors	6	1,637,371	1,114,474
Cash at bank and in hand		29,650	85,102
		1,667,021	1,199,576
Creditors due within one year	7	(3,444,103)	(1,709,664)
Net current liabilities		(1,777,082)	(510,088)
Total assets less current liabilities		(1,760,470)	(480,612)
Creditors due after one year		(9,872)	0
Net Liabilities		(1,770,342)	(480,612)
Capital and reserves			
Called up share capital	8	100,000	100,000
Profit and loss account	9	(1,870,342)	(580,612)
Equity shareholders' funds		(1,770,342)	(480,612)

These financial statements were approved by the Board on 11th December 2002 and were signed on its behalf by:



A H BALL & COMPANY LIMITED**RECOGNISED GAINS AND LOSSES
MOVEMENTS IN SHAREHOLDERS' FUNDS**

Statement of total recognised gains and (losses)	2001 £	2000 £
Profit/(loss) on ordinary activities after tax	(1,289,730)	414,293
Dividend	0	0
Retained profit/(loss)	(1,289,730)	414,293
Total gains and losses recognised in the year	(1,289,730)	414,293

Reconciliation of movements in shareholders' funds	2001 £	2000 £
Total recognised gains and losses for the year	(1,289,730)	414,293
Shareholders' funds at beginning of year	(687,612)	(894,905)
Shareholders' funds at end of year	(1,977,342)	(480,612)

Note of historical cost profits or losses

There is no material difference between the historical cost profit and loss and that presented in the company's profit and loss account.

A H BALL & COMPANY LIMITED

NOTES TO THE ACCOUNTS

1. Operating costs less other income	2001 £	2000 £
Raw materials and consumables	970,971	984,416
Staff costs	1,769,903	1,023,523
Other external charges	4,365,481	1,707,131
Depreciation	12,864	33,205
Other operating income	0	(2,657)
	7,119,219	3,745,618
Staff costs (including directors)		
Wages and salaries	1,595,457	905,475
Social security costs	144,127	90,548
Other pension costs	30,319	27,500
	1,769,903	1,023,523
Other external charges includes		
Plant hire	1,341,090	628,559
Other operating lease rentals	49,881	10,571
Auditors' remuneration : audit fees	6,350	6,750

2. Average number of persons employed	2001 No.	2000 No.
Direct	62	47
Indirect	15	16
	77	63

3. Interest	2001 £	2000 £
Interest payable - non group	76,875	12,013

4. Taxation

The company has no tax charge due to losses carried forward.

A H BALL & COMPANY LIMITED

NOTES TO THE ACCOUNTS (continued)

5. Tangible fixed assets

	Land and Buildings Freehold £	Plant and Equipment £	Total £
Cost at 1 January 2001	0	500,816	500,816
Additions	0	0	0
Disposals	0	0	0
Cost at 31 December 2001	0	500,816	500,816
Depreciation at 1 January 2001	0	471,340	471,340
Charge for the year	0	12,864	12,864
Disposals			0
At 31 December 2001	0	484,204	484,204
Net book value 31 December 2001	0	16,612	16,612
31 December 2000	0	29,476	29,476

Included above are assets held under finance leases or hire purchase contracts as follows

	2001 £	2000 £
Net book values	11,558	18,613
Depreciation charge for the period	7,055	7,048

6. Debtors

	2001 £	2000 £
Trade debtors	1,628,391	1,114,474
Prepayments and accrued income	8,980	0
	1,637,371	1,114,474

Trade debtors include amounts falling due after more than one year totalling £nil (2000 : £54,834).

A H BALL & COMPANY LIMITED**NOTES TO THE ACCOUNTS (continued)****7. Creditors due within one year**

	2001 £	2000 £
Trade creditors	2,621,496	319,764
Amounts owed to group undertakings	822,607	1,389,900
	3,444,103	1,709,664

8. Share capital

	2001 £	2000 £
Authorised 200,000 ordinary shares of £1 each	200,000	200,000
Allotted, called up and fully paid 100,000 ordinary shares of £1 each	100,000	100,000

9. Reserves

	Profit and loss account £	Revaluation reserve £	Total £
At 1st January 2001	(580,612)	0	(580,612)
Retained profit for the year	(1,289,730)	0	(1,289,730)
At 31st December 2001	(1,870,342)	0	(1,870,342)

10. Commitments

There were no capital commitments contracted for at 31st December 2001 (2000 - nil).

NOTES TO THE ACCOUNTS (continued)

11. Contingent liabilities

Performance bonds have been entered into in the normal course of business.

12. Remuneration of directors

	2001 £	2000 £
Directors' emoluments	71,948	65,272
Company pension contributions to money purchase schemes	6,201	3,274
	78,149	68,546

The aggregate emoluments of the highest paid director were £78,149 (2000 : £68,546). He is a member of the John Mowlem & Company PLC Pension and Life Assurance Scheme under which his accrued pension at the year end was £1,176.

13. Ultimate parent company

The ultimate parent company is John Mowlem and Company PLC , registered in England. Consolidated accounts are available to the public from White Lion Court, Swan Street, Isleworth Middlesex, TW7 6RN.

A H BALL & COMPANY LIMITED

PRINCIPAL ACCOUNTING POLICIES

A summary of principal accounting policies, all of which have been applied consistently in dealing with items which are considered material in relation to the company's financial statements throughout the year, is set out below.

Basis of accounting

The financial statements have been prepared on the going concern basis which the directors believe to be appropriate for the following reasons. The company is dependent for its working capital on funds provided to it by John Mowlem and Company PLC, the company's ultimate holding undertaking. John Mowlem and Company PLC has provided the company with an undertaking that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the company and in particular will not seek repayment of the amounts currently made available. This should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Based on this undertaking the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

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

The company is exempt from the requirement of FRS No 1 (Revised) to include a cash flow statement as part of its accounts because it is a subsidiary of John Mowlem & Company PLC and its cash flows are included within the consolidated cash flow statement of that company.

Turnover

Contracting turnover compares the value of work executed during the year including the settlement of monetary claims arising from previous years.

Other turnover represents the invoiced value of goods and services supplied during the year net of trade discounts, V.A.T. and other sales related taxes.

Profit

Operating profit comprises the results of carrying out civil engineering in the utility industries. It includes the results attributable to contracts completed and contracts in progress after deducting amounts recognised in previous years and after making provision for foreseeable losses. Claims receivable are recognised as income when received or certified for payments, except that in estimating the amounts of foreseeable losses, a prudent and reasonable assessment of such claims is made.

Depreciation

Depreciation is provided on a straight line basis at rates calculated to write off the cost or valuation of fixed assets over their estimated useful lives at 25% p.a. on straight line basis.

PRINCIPAL ACCOUNTING POLICIES (continued)

Contract work in progress

Amounts recoverable on contracts, which include attributable profit on contracts determined on the basis of measured work to the balance sheet date, are included in debtors. Deductions are made for net foreseeable losses and progress payments received.

This policy is applied irrespective of the length of the contract since, in the opinion of the directors, it is not appropriate to adopt a separate accounting policy for short term contracts.

Payments received in excess of amounts recoverable on contracts are included in credit balances on long term contracts.

Deferred taxation

Deferred taxation is accounted for using the liability method in relation to timing differences in respect of which there is a reasonable probability that they will reverse in the foreseeable future, without being replaced by similar timing differences.

Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Rentals payable under operating leases are charges against income on a straight line basis over the lease term.

Pensions

The pension costs charged in the financial statements represent the contributions payable by the company during the period in accordance with SSAP24.

FRS 17

As the company is unable to identify its share of the John Mowlem and Company PLC Group scheme assets and liabilities in a consistent and reasonable basis on full adoption of FRS 17 'Retirement Benefits', contributions to the Group scheme will be accounted for as if it were a defined benefit scheme.

The latest full actuarial valuation of the John Mowlem and Company PLC Group scheme was undertaken at 31 December 2000 and was updated for FRS 17 purposes to 31 December 2001 by a qualified independent actuary. Under FRS 17 the Group scheme showed a deficit of £10 million after deduction of irrecoverable amounts and deferred taxation at 31 December 2001.

A H BALL & COMPANY LIMITED

DETAILED PROFIT AND LOSS ACCOUNT for the year ended 31st December 2001

	2001		2000	
	£	£	£	£
Turnover		5,906,364		4,171,924
Other operating income				
Discounts receivable		0		2,657
		<u>5,906,364</u>		<u>4,174,581</u>
Less:				
Raw materials and consumables		970,971		984,416
Other external charges				
Plant hire	1,341,090		628,559	
Subcontractors	2,514,146		629,830	
Leasehold property rental	49,881		10,571	
Insurances	93,468		41,176	
Sales, travelling and motor expenses	196,763		171,583	
General expenses	150,288		199,546	
Audit fee	6,350		6,750	
Legal and professional fees	13,495		19,116	
		<u>4,365,481</u>		<u>1,707,131</u>
Staff costs:				
Wages & Salaries	1,595,457		905,475	
Social security costs	144,127		90,548	
Pension premiums	30,319		27,500	
		<u>1,769,903</u>		<u>1,023,523</u>
Depreciation and other amounts written off tangible assets		12,864		33,205
		<u>(1,212,855)</u>		<u>426,306</u>
Interest payable and similar charges non-group		(76,875)		(12,013)
Profit / (loss) on ordinary activities		<u>(1,289,730)</u>		<u>414,293</u>

This statement is provided for information only and does not form part of the audited accounts