

STEREAU (UK) Ltd

REPORT AND ACCOUNTS 2000

31 December 2000

Registered number: 2563151



STEREAU (UK) Ltd

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STEREAU (UK) Ltd

Directors, Senior Management and Advisers

Chairman

D Scherrer

Resigned 1 May 2001

N Hachemi

Appointed 1 May 2001

Directors

N Burns

C Delannoy

H Dunoyer

J-M Grevet

Company Secretary

K Maskell

Resigned 1 May 2001

D. Carr

Appointed 1 May 2001

Group Bankers

HSBC plc

Auditors

Arthur Andersen

Solicitors

Manches & Co

Registered Office

Ecovert House

2 Bartholomews

Brighton

East Sussex

BN1 1HG

Registered number: 2563151

STEREAU (UK) Ltd

Directors' Report

The directors have pleasure in submitting their report and the audited financial statements for the year ended 31 December 2000.

Principal Activities

The company provides process design and construction services to the water industry.

Business Review

The profit on ordinary activities after taxation for the year was £363,496 (year to 31 December 1999: £1,916,100). The Stereau UK investment in Pipeway and Cempipe was diluted in December 1999. The financial position at 31 December 2000 is shown in the balance sheet on page 8.

Due to abnormal quantities of fibres in the incoming sewers and a potential non-conforming effluent, there has been a delay in the completion of the water treatment plant that is currently being constructed. The company is examining a solution to this issue in an effort to resolve the situation in the most efficient manner. The costs to the company that may result from the fibre and effluent issues have been estimated based on our best knowledge and appropriate provisions have been made accordingly in the company's accounts at the end of June 2001.

Dividends

The directors do not propose to recommend the payment of a final dividend on the issued ordinary share capital of the company in respect of the year ended 31 December 2000. An interim dividend of £2,000,000 was paid during the year. (year to 31 December 1999: £500,000).

Directors and Interests in Shares

The directors who served at the date of this report are set out on page 3. None of the directors held any beneficial interest in the shares of the company or any other group companies, required to be disclosed under the Companies Act 1985, during the year. Changes in the directors were as follows:

Resigned		Appointed	
H T Barnhoorn	20.06.00	F Leborgne	07.07.00
F Leborgne	08.12.00	N Hachemi	01.05.01

Employment Policies

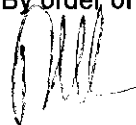
The company offers equal opportunities to all applicants for employment and for career development which includes training.

Auditors

During the year KPMG resigned as auditors of the Company. Arthur Andersen were appointed to fill the casual vacancy.

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of Arthur Andersen as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board


D Carr
Secretary

STEREAU (UK) Ltd

Statement of Directors' Responsibilities

Company law requires the directors to prepare financial statements 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 those financial statements, 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 financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 also have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company to prevent and detect fraud and other irregularities.

STEREAU (UK) Ltd

AUDITORS' REPORT

To the shareholders of STEREAU (UK) Ltd

We have audited the financial statements on pages 7 to 15, which have been prepared under the historical cost convention and the accounting policies set out on pages 9 and 10.

Respective Responsibilities of Directors and Auditors

As described on page 5, the company's directors are responsible for the preparation of the financial statements 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.

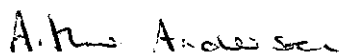
Basis of audit opinion

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 group'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 as at 31 December 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen
*Chartered Accountants and
Registered Auditors*
1 Surrey Street
London WC2R 2PS

24 June 2001

STEREAU (UK) Ltd

Profit and Loss account

for the year ended 31 December 2000

	Note	2000 £000	1999 £000
Turnover	2	9,609	1,838
Cost of sales		(8,809)	(1,437)
Gross profit		<u>800</u>	<u>401</u>
Administrative expenses		(433)	(604)
Operating profit/(loss)		<u>367</u>	<u>(203)</u>
Dividends Receivable		-	2,001
Interest receivable and similar income	6	137	98
Interest payable and similar charges	7	-	(2)
Profit on ordinary activities before taxation		<u>504</u>	<u>1,894</u>
Tax on profit on ordinary activities	8	(140)	22
Profit on ordinary activities after taxation		<u>364</u>	<u>1,916</u>
Dividends paid and proposed	9	(2,000)	(500)
Retained (loss)/profit for the year		<u>(1,636)</u>	<u>1,416</u>

Notes:

The company had no recognised gains or losses during the year (1999: nil) other than those reported in the profit and loss account set out above.

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

STEREAU (UK) Ltd

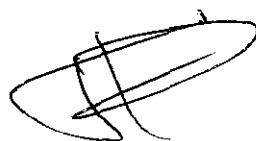
Balance Sheet

at 31 December 2000

	Note	2000 £000	1999 £000
Fixed assets			
Investments	10	<u>5</u>	<u>5</u>
		5	5
Current assets			
Debtors	11	1,011	5,066
Cash at bank and in hand		<u>3,330</u>	<u>206</u>
		4,341	5,272
Creditors: amounts falling due within one year	12	<u>(3,350)</u>	<u>(2,645)</u>
Net current assets		<u>996</u>	<u>2,627</u>
Total assets less current liabilities		<u>996</u>	<u>2,632</u>
Net assets		<u>996</u>	<u>2,632</u>
Capital and reserves			
Called up equity share capital	13	10	10
Profit and loss account	14	<u>986</u>	<u>2,622</u>
Equity shareholders' funds	17	<u>996</u>	<u>2,632</u>

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

These financial statements were approved by the Board of Directors on 24 June 2001 and were signed on its behalf by:



N Hachemi
Chairman

STEREAU (UK) Ltd

Notes to the Financial Statements *(forming part of the financial statements)*

1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the companies financial statements:

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Under Financial Reporting Standard 1, the company is exempt from the requirements to prepare a cashflow statement as it is a wholly owned subsidiary of Bouygues SA and its cashflows are included within the consolidated cashflow statement of that company.

Turnover

Turnover represents income from the supply of services to external customers during the year. Turnover excludes VAT and is stated before any deduction for bad and doubtful debts.

Investment income and interest

Dividends from associated undertakings are recognised in the accounts when declared. Interest on loans and short term deposits is dealt with on an accruals basis.

Investments

Investments are stated at the historical cost to the company less provisions for any impairment in value.

Amounts recoverable on contracts

Amounts recoverable on contracts are valued at cost plus attributable profit estimated to be earned to date, less provisions for any foreseeable losses and less progress payments received and receivable.

Claims against the company arising out of contracts are provided for on the basis of a prudent estimate of the final value of the claim. Profit arising on claims receivable is recognised as income when the claim is received, or certified for payment if earlier. Losses are provided for when foreseen.

Payments received on account

Any excess of progress payments received and receivable on contracts over cost, plus attributable profit estimated to be earned to date, less provisions for foreseeable losses, is included in creditors.

STEREAU (UK) Ltd

Notes to the Financial Statements *(continued)*

1. Accounting policies (cont)

Pension scheme arrangements

The company does not operate a pension scheme.

Research and development

Research and development costs are charged to the profit and loss as incurred.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise in the foreseeable future.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on transactions are included in the profit and loss account in the year in which they arise.

2. Turnover

All turnover is in relation to the company's principal business, construction of water treatment works, and arose within the United Kingdom.

3. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	2000 £000	1999 £000
Auditors' remuneration	5	3
Staff Costs	<u>123</u>	<u>143</u>

STEREAU (UK) Ltd

Notes to the Financial Statements *(continued)*

4. Remuneration of directors

Total emoluments of all directors are £nil (1999:£nil):

5. Employees

The average number of persons employed by the group during the year including executive directors is analysed below:

	2000	1999
Employed on contracts	<u>3</u>	<u>4</u>

The aggregate payroll costs of these persons were as follows:

	2000 £000	1999 £000
Salaries	106	130
Social security costs	11	10
Pension costs	6	3
	<u>123</u>	<u>143</u>

6. Other interest receivable and similar income

	2000 £000	1999 £000
Bank interest	90	50
Interest receivable from group undertakings	40	48
Other interest receivable	7	-
	<u>137</u>	<u>98</u>

7. Interest payable and similar charges

	2000 £000	1999 £000
Bank charges	-	1
Other interest charges	-	1
	<u>-</u>	<u>2</u>

STEREAU (UK) Ltd

Notes to the Financial Statements *(continued)*

8. Taxation

	2000 £000	1999 £000
UK Corporation tax charge at 30% (1999: 30 ¼%)	140	(22)
	<u>140</u>	<u>(22)</u>

9. Dividends

	2000 £000	1999 £000
Dividends paid	<u>2,000</u>	<u>500</u>

10. Fixed asset investments

	£000
Value of investments At 1 January 2000 and at 31 December 2000	<u>5</u>

At 31 December 2000 the investment represents 49% of the 15,306 ordinary shares of £1 each now in issue of Pipeway Ltd, which are held directly, and an effective interest in its subsidiary Cempipe Ltd, of 36.75%.

Pipeway Ltd is a company incorporated in the United Kingdom, whose principal activity is contract work in the field of water engineering. In the opinion of the directors the investment in Pipeway Ltd are worth at least the amounts at which they are stated in the balance sheet.

Pipeway Ltd subscribed for 75% of the ordinary shares of £1 each on incorporation of Cempipe Ltd. Cempipe Ltd is incorporated in England and the principal activity is the development and sales of pipeline rehabilitation technology. Stereau UK therefore has an indirect interest in Cempipe Ltd of 36.75%.

11. Debtors

	2000 £000	1999 £000
Trade debtors	436	607
Amounts recoverable on contracts	-	20
Amounts owed by group undertakings	-	4,005
Other debtors	28	28
Prepayments and accrued income	547	406
	<u>1,011</u>	<u>5,066</u>

STEREAU (UK) Ltd

Notes to the Financial Statements *(continued)*

12. Creditors: amounts falling due within one year

	2000 £000	1999 £000
Trade creditors	437	58
Amount owed to group undertakings	8	376
UK Corporation tax	140	-
Other taxes and social security	56	78
Accruals and deferred income	2,709	2,133
	<u>3,350</u>	<u>2,645</u>

13. Called up equity share capital

	2000 £000	1999 £000
Authorised, allotted, called up and fully paid Ordinary shares of £1 each	<u>10</u>	<u>10</u>

14. Movement in reserves

	Profit and loss £000
At 1 January 2000	2,622
Retained loss for the period	(1,636)
At 31 December 2000	<u>986</u>

15. Contingent liabilities

As is common in contracting companies, claims arise in the normal course of trading some of which result in arbitration or litigation. Provision has been made in these accounts for all amounts which the directors consider will become payable in respect of such claims.

16. Commitments

The company has no financial commitments.

STEREAU (UK) Ltd

Notes to the Financial Statements *(continued)*

17. Reconciliation of movements in shareholders' funds

	2000 £000	1999 £000
Profit for the financial year	364	1,916
Dividends paid	(2,000)	(500)
Opening shareholders' funds	2,632	1,216
Closing shareholders' funds	<u>996</u>	<u>2,632</u>

18. Ultimate Parent Undertaking

The smallest group of companies into which the results of the company are consolidated is that headed by Stereau SA. The largest group of companies into which the results of the company are consolidated is that held by Bouygues SA which is also the company's ultimate parent and controlling undertaking. Bouygues SA is incorporated in France. Copies of the consolidated financial statements are available at Challenger, 1 avenue Eugène Freyssinet, 78064 Saint Quentin-en-Yvelines, France.

19. Related Party Transactions

The related parties, as defined by Finance Reporting Standard 8, nature of relationship and extent of transactions with those parties during the year are summarised below:

	2000 £000	1999 £000
Purchase of services from:		
SAUR Services Ltd	-	5
Ecovert Group Ltd	40	30
Dynamco Ltd	-	1
Bouygues Offshore - UIE Ltd	33	-
Management charge from:		
SAUR SA	18	42
Recharge of expenses from:		
SAUR (UK) Ltd	86	165
SAUR Services Ltd	-	5
Interest receivable from:		
Pipeway Ltd	-	42
SAUR (UK) Ltd	19	5
Ecovert Group Ltd	21	-

STEREAU (UK) Ltd

Notes to the Financial Statements *(continued)*

20. Related Party Transactions *(continued)*

Included in the debtors (note 11) are the following amounts:

	2000 £000	1999 £000
SAUR UK	-	4,005

Included in the creditors (note 12) are the following amounts:

	2000 £000	1999 £000
Ecovert Group Ltd	-	30
Dynamco Ltd	-	1
SAUR UK Ltd	8	71
SAUR SA	18	42

Stereau (UK) Ltd's immediate parent undertaking is Stereau SA. Stereau SA owns 100% of the issued share capital of Stereau (UK) Ltd.

SAUR SA owns 100% of the issued share capital of Stereau SA.

SAUR UK Ltd, Dynamco Ltd, Ecovert Group Ltd and SAUR Services Ltd are fellow subsidiaries, controlled by SAUR International SA and SAUR SA and ultimately controlled by Bouygues SA. Bouygues Offshore -UIE Ltd is controlled by Bouygues Offshore Ltd and ultimately controlled by Bouygues SA.