

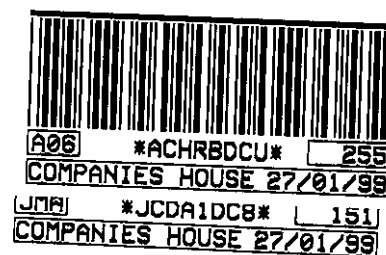
**USF Surface Preparation Limited
(formerly Tilghman Wheelabrator Limited)**

Directors' Report and financial statements

31 March 1998

Registered number 33672

KPMG



USF Surface Preparation Limited

Directors' report and financial statements

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USF Surface Preparation Limited

Directors' report

The directors present their annual report on the affairs of the company, together with the accounts and auditors' report, for the period ended 31 March 1998.

Principal activities and business review

The principal activities of the company are the manufacture and supply of air pollution control equipment, shot blast machinery and water process equipment, their associated spare parts and servicing.

Turnover was £12,117,000 in the 12 month period to 31 March 1998 as compared to £14,757,000 for the 15 month period to 31 March 1997. Operating profit decreased in the same period by £486,000 from £1,083,000 to £597,000. The entire share capital of the company was acquired by United States Filter Corporation on 30 November 1996.

Results and dividends

The results, dividends and recommended transfers to reserves are as follows:

	£000
Profit and loss account at 31 March 1997	4,311
Retained profit for the period	431
Profit and loss account at 31 March 1998	<u>4,742</u>

No dividend has been paid or proposed.

Directors and directors' interests

The directors who held office during the period were as follows:

JD Barnes
MCE Sturt
A Carmichael
T Reyners
J McAdam

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

USF Surface Preparation Limited

Directors' report

Employee consultation

The directors are responsible for communicating relevant information to all employees and for developing their involvement in company affairs as appropriate.

Fixed assets

Information relating to changes in tangible fixed assets is given in note 10 to the accounts.

Year 2000

We have reviewed all the main operating systems in place at 31 March 1998 and identified those that need updating to be year 2000 compliant. The costs of this updating would not have been substantial, but the group, as part of its medium term plan, has commenced preparations to change over to a new software and hardware platform. The cost of this IT development is included in the capital expenditure commitments of group companies at 31 March 1998.

European Monetary Union

All options have been investigated and action has been taken as appropriate to facilitate our future trading.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

MCE Sturt
Secretary

PO Box 60
Craven Road
Broadheath
Altrincham
Cheshire

USF Surface Preparation Limited

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 its 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 financial statements 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 financial statements 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.



St James' Square
Manchester M2 6DS

Report of the auditors to the members of USF Surface Preparation Limited

We have audited the financial statements on pages 7 to 24.

Respective responsibilities of directors and auditors

As described on page 5 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements 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 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 as at 31 March 1998 and of the profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG
Chartered Accountants
Registered Auditors

26 January 1999

USF Surface Preparation Limited

Profit and loss account

for the period ended 31 March 1998

	Note	12 months ended 31 March 1998	15 months ended 31 March 1997
		£000	£000
Turnover	2	12,117	14,757
Cost of sales - including exceptional credit of £114,000 (1997: £678,000 charge)		(9,797)	(12,166)
Gross profit		<u>2,320</u>	<u>2,591</u>
Selling and distribution costs		(765)	(1,154)
Administrative expenses - including exceptional credit of £nil (1997: £131,000 credit)		(958)	(545)
Other operating income (net)	3	-	191
Operating profit	3	<u>597</u>	<u>1,083</u>
Profit on sale of fixed assets	4	-	30
Other interest receivable and similar income		206	169
Interest payable and similar charges	5	(139)	(50)
Profit on ordinary activities before taxation	6	<u>664</u>	<u>1,232</u>
Tax on profit on ordinary activities	8	(233)	(225)
Retained profit for the year		<u><u>431</u></u>	<u><u>1,007</u></u>

All activity has arisen from continuing operations. The company has no recognised gains or losses in either period other than the retained profit for the financial period.

A statement of movements on reserves is given in note 19.

The notes form part of these financial statements.

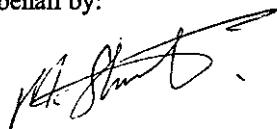
USF Surface Preparation Limited

Balance sheet

at 31 March 1998

	Note	31 March 1998 £000	31 March 1997 £000
Fixed assets			
Intangible assets	9	80	90
Tangible assets	10	959	982
Investments	11	-	-
		<u>1,039</u>	<u>1,072</u>
Current assets			
Stocks	12	1,579	1,667
Debtors	13	5,535	5,426
Cash at bank and in hand		452	609
		<u>7,566</u>	<u>7,702</u>
Creditors: amounts falling due within one year	14	<u>(3,195)</u>	<u>(3,931)</u>
Net current assets		<u>4,371</u>	<u>3,771</u>
Debtors due after more than one year	15	6,523	6,865
		<u>10,894</u>	<u>10,636</u>
Total assets less current liabilities		<u>11,933</u>	<u>11,708</u>
Creditors: Amounts falling due after more than one year	16	<u>(4,251)</u>	<u>(4,148)</u>
Provisions for liabilities and charges	17	(1,121)	(1,430)
Net assets		<u>6,561</u>	<u>6,130</u>
Capital and reserves			
Called-up share capital	18	1,336	1,336
Share premium account	19	314	314
Revaluation reserve	19	169	169
Profit and loss account	19	4,742	4,311
Shareholders' funds			
Equity		5,241	4,810
Non-equity	18	1,320	1,320
		<u>6,561</u>	<u>6,130</u>

These financial statements were approved by the board of directors on 13/1/99 and were signed on its behalf by:



Signed on behalf of the Board
MCE Sturt
Director

13/1/99

Date

USF Surface Preparation Limited

Notes

(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 company's financial statements.

Basis of preparation

The accounts are prepared under the historical cost convention modified to include the revaluation of investments and are in accordance with applicable accounting standards.

The company is exempt by virtue of S228 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group.

The company is exempt from the requirements of Financial Reporting Standard No 1 to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of United States Filter Corporation and its cash flows are included within the consolidated cash flow statement of that company.

The Accounting Standards Board published Financial Reporting Standard No 8 - 'Related Party Disclosures' in October 1997. As a wholly owned subsidiary, the Company is exempt from disclosing transactions with other Group undertakings or with investees of the Group qualifying as related parties.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and provision for permanent diminution in value.

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

Freehold buildings	2.5% per annum
Short leasehold buildings	Period of lease
Plant and equipment	10% to 25% per annum
Motor vehicles	25% per annum

Residual value is calculated on prices prevailing at the date of acquisition.

Stocks

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

Cost incurred in bringing each product to its present location and condition is based on:

Raw materials	-	purchase cost on a first-in, first-out basis
Work-in-progress balances and manufactured parts	-	cost of direct materials and labour, plus an appropriate proportion balances of manufacturing overheads based on normal levels of activity.

USF Surface Preparation Limited

Notes (continued)

1 Accounting policies (continued)

Stock (continued)

Work-in-progress balances are stated at actual cost less related advance payments and provision is made in full for anticipated losses. Advance payments in excess of costs on uncompleted contracts are included in creditors.

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.

Taxation

The charge for taxation is based on the profit for the period 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.

Advance corporation tax recoverable by deduction from future corporation tax is carried forward within deferred taxation or as ACT recoverable within debtors as appropriate.

Pension costs

The company offers pensions to substantially all employees through a defined benefit scheme.

The assets of the funded scheme are held independently of the company by trustees.

The amount charged to the profit and loss account is the estimated regular cost of providing the benefits accrued in the period, adjusted to reflect variations from the cost. The regular cost is calculated so that it represents a substantially level percentage of current and future pensionable payroll. Variations from regular cost are charged or credited to the profit and loss account over the estimated average remaining working life of scheme members.

Any difference between amounts charged to the profit and loss account and contributions paid to the pension scheme is shown as a separately identified liability or asset in the balance sheet.

Further information on pension costs is provided in note 21.

USF Surface Preparation Limited

Notes (continued)

1 Accounting policies (continued)

Foreign currency

Transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the period end are reported at the rates of exchange prevailing at the period 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.

Turnover

Turnover comprises the value of sales (excluding VAT and similar taxes, and trade discounts) of goods and services provided in the normal course of business.

Leases

Assets held under finance leases 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 lease term and its useful economic life. Finance charges are allocated to accounting periods over the period of the lease to produce a constant rate of charge 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. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

Rentals under operating leases are charged on a straight-line basis over the lease term. Further information on charges in the period and future commitments is provided in note 21.

2 Segment information

	Year ended 31 March 1998 £000	15 months ended 31 March 1997 £000
Turnover by geographical area:		
United Kingdom	6,298	6,781
Overseas	5,819	7,976
	<u>12,117</u>	<u>14,757</u>

All turnover arises from the principal activities of the company.

USF Surface Preparation Limited

Notes (continued)

3 Other operating income (net)

	Year ended 31 March 1998 £000	15 months ended 31 March 1997 £000
Other operating income	-	116
Exchange losses/(gains) on foreign currency transactions	-	(276)
Inter-company loan written off	-	351
	<u>-</u>	<u>191</u>
	<u>-</u>	<u>191</u>

Exceptional Items

The following adjustments have been made following the acquisition by United States Filter Corporation and subsequent internal reorganisation:

	Year ended 31 March 1998 £000	15 months ended 31 March 1997 £000
Inventory write-off	(114)	403
Increase in contract provision	-	275
Bad debt write-off	-	80
Accounting policy alignment	-	140
Inter-company loan written off	-	(351)
	<u>(114)</u>	<u>547</u>
	<u>(114)</u>	<u>547</u>

4 Profit on sale of tangible fixed assets

The profit on disposal in 1997 arose from the disposal of motor vehicles.

5 Interest payable and similar charges

	Year ended 31 March 1998 £000	15 months ended 31 March 1997 £000
On finance leases and hire purchase contracts	-	7
Interest payable on inter-group loans	139	43
	<u>139</u>	<u>50</u>
	<u>139</u>	<u>50</u>

USF Surface Preparation Limited

Notes (continued)

6 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after (crediting) charging:

	Year ended 31 March 1998 £000	15 months ended 31 March 1997 £000
Rent receivable	(88)	(111)
Amortisation and amounts written off - goodwill	12	6
Depreciation and amounts written off tangible fixed assets		
- owned	147	170
- held under finance leases and hire purchase contracts	7	35
Hire of motor vehicles under operating leases	96	105
Auditors' remuneration		
- audit	17	20
- non-audit	5	5
Staff costs (see note 7)	2,827	3,291
	<hr/>	<hr/>

7 Staff costs

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

	Year ended 31 March 1998 £000	15 months ended 31 March 1997 £000
Employee costs during the year amounted to:		
Wages and salaries	2,543	2,946
Social security costs	210	245
Pension costs	74	100
	<hr/>	<hr/>
	2,827	3,291
	<hr/> <hr/>	<hr/> <hr/>

The average weekly number of persons employed by the company during the period was as follows:

	Year ended 31 March 1998	15 months ended 31 March 1997
Production	93	95
Sales	20	20
Administration	10	10
	<hr/>	<hr/>
	123	125
	<hr/> <hr/>	<hr/> <hr/>

USF Surface Preparation Limited

Notes (continued)

7 Staff costs (continued)

Directors' remuneration was paid in respect of the company as follows:

	Year ended 31 March 1998 £000	15 months ended 31 March 1997 £000
Remuneration for management services (including pension contributions)	298	304

The emoluments, excluding pension contributions, of the chairman were £nil (1997: £nil) and those of the highest paid director were £176,934 (1997: £214,265).

8 Tax on profit on ordinary activities

The tax charge is based on the profit for the period and comprises:

	Year ended 31 March 1998 £000	15 months ended 31 March 1997 £000
Corporation tax at 31%(1997 - 33%)	328	476
Deferred taxation arising from		
- capital allowances	-	-
- other timing differences	-	-
	<u>328</u>	<u>476</u>
Adjustment of current taxation in respect of prior years	(95)	(414)
Relieved ACT previously written off	-	-
Adjustment of deferred taxation in respect of timing differences from prior years		
- capital allowances	-	12
- other timing differences	-	151
	<u>233</u>	<u>225</u>

Deferred taxation

The deferred taxation asset has been recognised within debtors, as follows:

	Year ended 31 March 1998 £000	15 months ended 31 March 1997 £000
Accelerated capital allowances	-	-
Other timing differences	-	-
	<u>-</u>	<u>-</u>

USF Surface Preparation Limited

Notes (continued)

8 Tax on profit on ordinary activities (continued)

The amount of unprovided deferred taxation is an asset of £374,284 (1997 - £433,000). All unprovided deferred taxation relates to other timing differences.

The movement on deferred taxation comprises:

	Year ended 31 March 1998 £000	15 months ended 31 March 1997 £000
Beginning of period	-	163
Credited (charged) to profit and loss, in respect of		
- capital allowances	-	(12)
- other timing differences	-	(151)
	<u> </u>	<u> </u>
End of period (see note 14)	<u> </u>	<u> </u>

9 Intangible fixed assets

The following are included in the net book value of intangible fixed assets:

	1998 £000	1997 £000
Design rights	80	90
	<u> </u>	<u> </u>

The movement in the period was as follows:

	Patent fees £000
<i>Cost</i>	
At beginning and end of period	96
	<u> </u>
<i>Amounts written off</i>	
Beginning of period	6
Amortisation	10
	<u> </u>
End of period	16
	<u> </u>
<i>Net book value At 31 March 1998</i>	80
	<u> </u>
<i>Net book value At 31 March 1997</i>	90
	<u> </u>

USF Surface Preparation Limited

Notes (continued)

10 Tangible fixed assets

The movement in the period was as follows:

	Freehold buildings	Short leasehold buildings	Plant and equipment	Motor vehicles	Total
	£000	£000	£000	£000	£000
<i>Cost</i>					
Beginning of period	786	112	1,163	222	2,283
Additions	-	-	97	48	145
Disposals	-	-	-	(14)	(14)
End of period	<u>786</u>	<u>112</u>	<u>1,260</u>	<u>256</u>	<u>2,414</u>
<i>Depreciation</i>					
Beginning of period	77	101	985	138	1,301
Charge	24	2	83	45	154
Disposals	-	-	-	-	-
End of period	<u>101</u>	<u>103</u>	<u>1,068</u>	<u>183</u>	<u>1,455</u>
<i>Net book value</i>					
At 31 March 1998	<u>685</u>	<u>9</u>	<u>192</u>	<u>73</u>	<u>959</u>
At 31 March 1997	<u>709</u>	<u>11</u>	<u>178</u>	<u>84</u>	<u>982</u>
Leased assets included in the above:					
<i>Net book value</i>					
At 31 March 1998	-	-	-	-	-
At 31 March 1997	-	-	-	64	64

USF Surface Preparation Limited

Notes (continued)

11 Fixed asset investments

The company has the following investments:

	Country of incorporation and operation	Principal activity	Proportion of ordinary shares held by the company
Principal subsidiary undertakings:			
Blastrac Europe Limited	England	Dormant	100%
RBS Pension Trustees Limited	England	Dormant	100%

The movement in investments was as follows:

	1997 £000
Valuation, beginning of period	1,025
Cost of investments disposed of in the period	(1,025)
	<hr/>
Valuation, end of period	-
	<hr/> <hr/>

The movement in investments in 1997 consists of the transfer of shareholdings in Blast Cleaning Techniques Limited (formerly Tilghman Wheelabrator Special Products Limited) and Wheelabrator-Berger Maschinenfabriken GmbH to Wheelabrator Technologies (UK) Limited, the immediate parent company of USF Surface Preparation Limited (formerly Tilghman Wheelabrator Limited). This was performed as part of a group reorganisation.

USF Surface Preparation Limited

Notes (continued)

12 Stocks

	At 31 March 1998 £000	At 31 March 1997 £000
Raw materials and manufactured parts	1,116	975
Work-in-progress balances		
- cost less foreseeable losses	636	1,260
- less related payments on account	(173)	(568)
	<u>463</u>	<u>692</u>
	<u>1,579</u>	<u>1,667</u>

13 Debtors: Amounts falling due within one year

	At 31 March 1998 £000	At 31 March 1997 £000
Trade debtors	1,649	2,515
Amounts owed by subsidiary undertakings	130	130
Amounts owed by other group undertakings	3,704	2,768
Prepayments and accrued income	52	13
	<u>5,535</u>	<u>5,426</u>

USF Surface Preparation Limited

Notes (continued)

14 Creditors: Amounts falling due within one year

	At 31 March 1998 £000	At 31 March 1997 £000
Bank loans and overdrafts	-	46
Obligations under finance leases and hire purchase contracts	-	17
Payments received on account	166	136
Trade creditors	1,346	1,816
Amounts owed to group undertakings	683	525
Other creditors:		
- UK corporation tax payable	516	400
- VAT	25	50
- social security and PAYE	68	77
- other creditors	63	41
Accruals and deferred income	328	823
	<u>3,195</u>	<u>3,931</u>

15 Debtors: Amounts falling due after more than one year

	At 31 March 1998 £000	At 31 March 1997 £000
Amounts owed by other group undertakings	6,523	6,865
	<u>6,523</u>	<u>6,865</u>

16 Creditors: Amounts falling due after more than one year

	At 31 March 1998 £000	At 31 March 1997 £000
Amounts owed to group undertakings	4,251	4,148
	<u>4,251</u>	<u>4,148</u>

USF Surface Preparation Limited

Notes (continued)

16 Creditors: Amounts falling due after more than one year (Continued)

Analysis of borrowings

Obligations under finance leases and hire purchase contracts, net of future finance charges, are repayable as follows:

	At 31 March 1998 £000	At 31 March 1997 £000
Finance leases which expire:		
- within one year	-	17
	<u> </u>	<u> </u>

17 Provisions for liabilities and charges

Provisions for liabilities and charges comprise:

	At 31 March 1998 £000	At 31 March 1997 £000
Provision for warranties	267	366
Provision for pensions	441	441
Other provisions	413	623
	<u> </u>	<u> </u>
	1,121	1,430
	<u> </u>	<u> </u>

Provision for warranties

The movement in the provision for warranty costs for the period is as follows:

	At 31 March 1998 £000	At 31 March 1997 £000
Beginning of period	366	357
Utilised during year	101	-
Charge to profit and loss account	-	9
	<u> </u>	<u> </u>
End of period	267	366
	<u> </u>	<u> </u>

USF Surface Preparation Limited

Notes (continued)

17 Provisions for liabilities and charges (Continued)

Provision for pensions

The pension provision represents the excess of amounts charged to the profit and loss account, in accordance with the provisions of Statement of Standard Accounting Practice Number 24, over amounts paid to the pension scheme (see note 21c).

The movement in the provision for pension costs for the period is as follows:

	At 31 March 1998 £000	At 31 March 1997 £000
Beginning of period	441	459
Charge to profit and loss account	74	100
Contributions paid	(74)	(118)
	<hr/>	<hr/>
End of period	441	441
	<hr/> <hr/>	<hr/> <hr/>

Other provisions

	At 31 March 1998 £000	At 31 March 1997 £000
Beginning of period	623	-
Utilised during year	(210)	-
Charge to profit and loss account	-	623
	<hr/>	<hr/>
End of period	413	623
	<hr/> <hr/>	<hr/> <hr/>

18 Called-up share capital

	At 31 March 1998 £000	At 31 March 1997 £000
<i>Authorised, allotted, called-up and fully paid</i>		
16,201 ordinary shares of £1 each (equity)	16	16
1,320,000 deferred shares of £1 each (non-equity)	1,320	1,320
	<hr/>	<hr/>
	1,336	1,336
	<hr/> <hr/>	<hr/> <hr/>

USF Surface Preparation Limited

Notes (continued)

Called-up share capital (continued)

Voting and dividend rights

The deferred shares do not have any voting rights and are not entitled to receive distributions.

Priority on a winding up

In the event of a winding up, the assets of the company will be distributed as follows:

- firstly, the holders of the ordinary shares receive £10 per share;
- secondly, the holders of the deferred shares receive the amount paid up on those shares;
- finally, the balance of such assets are distributed to the holders of the ordinary shares.

19 Reserves

The movement in reserves for the period ended 31 March 1998 is as follows:

	Non distributable		Distributable profit and loss account £000	Total £000
	Share premium account £000	Revaluation reserve £000		
Beginning of period	314	169	4,311	4,794
Retained profit for the period	-	-	431	431
End of period	314	169	4,742	5,225

20 Reconciliation of movements in shareholders' funds

	1998 £000	1997 £000
Profit for the financial period	431	1,007
Opening shareholders' funds	6,130	5,123
Closing shareholders' funds	6,561	6,130

USF Surface Preparation Limited

Notes (continued)

21 Guarantees and other financial commitments

a) Capital commitments

	1998 £000	1997 £000
Contracted for but not provided for	3	-
Authorised but not contracted for	-	-
	<u>3</u>	<u>-</u>

b) Contingent liabilities

The company has given bank guarantees to customers in respect of advance payments and the performance of goods sold totalling £395,665 (1997 - £374,342).

c) Pension arrangements

The pension charge for the period was £74,000 (1997-£100,000, credit). The pension provision is assessed in accordance with the advice of a professionally qualified actuary. The latest actuarial valuation was at 6 April 1997 and used the attained age method. The main actuarial assumption was that investment returns would exceed pensionable earnings by 1.5% in the long term. The market value of the assets of the scheme was £9,498,353 and the actuarial value of the assets was sufficient to cover 109% of the benefits that had accrued to members after allowing for expected future increases in earnings. The surplus will be assessed in the next actuarial valuation, as at 6 April 1999. A provision of £440,583 (1997- £440,583) is included in provisions, being the excess of the accumulated pension cost over the amount funded.

d) Lease commitments

The company has entered into non-cancellable operating leases in respect of motor vehicles, the payments for which extend over a period of up to 3 years. The total annual rental (including interest) for the period to 31 March 1998 was £96,233 (1997 - £105,000).

The minimum annual rentals under the foregoing leases are as follows:

	1998 £000	1997 £000
Operating leases which expire		
- within one year	11	67
- within 2-5 years	177	17
	<u>188</u>	<u>84</u>

USF Surface Preparation Limited

Notes *(continued)*

22 Ultimate parent company

The company is a subsidiary undertaking of Wheelabrator Technologies (UK) Limited incorporated in England.

The largest group of which USF Surface Preparation Limited (formerly Tilghman Wheelabrator Limited) is a member and for which group accounts are drawn up is that headed by United States Filter Corporation. Copies of the group accounts of this company are available from 40-004 Cook Street, Palm Desert, CA9221, USA.

The smallest such group is that headed by Wheelabrator Technologies (UK) Limited, registered in England and Wales.