

ARTHUR
ANDERSEN

ARTHUR ANDERSEN & Co, SC

Tilghman Wheelabrator Limited
and subsidiary undertakings

Accounts 31 December 1995
together with directors' and auditors' reports

Registered number: 33672



Directors' report

For the year ended 31 December 1995

The directors present their annual report on the affairs of the group, together with the accounts and auditors' report, for the year ended 31 December 1995.

Directors' responsibilities

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 group and of the profit or loss of the group for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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 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 group 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activities and business review

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

Turnover increased by £2,969,358 to £11,746,134 in the year to 31 December 1995 as compared with £8,776,776 for the 13 months to 31 December 1994. Operating profit increased in the same period by £403,726 from £482,347 to £886,073.

Directors' report (continued)

Results and dividends

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

	£
Group profit and loss account at 31 December 1994	465,674
Retained profit for the period	<u>2,686,047</u>
Group profit and loss account at 31 December 1995	<u>3,151,721</u>

No dividend has been paid or proposed.

Directors and their interests

The directors who served during the year are as shown below.

J.D. Barnes

J.J. Heeney (USA) (resigned 1 May 1995)

R.L. Melroy (USA)

R.L. Patel (USA)

H.A. Rodder (Germany)

J.M. Smith (resigned 31 July 1995)

M.C.E. Sturt

W.C. Keightley (USA) (appointed 3 June 1996)

D.P. Sarna (USA) (appointed 1 May 1995, resigned 3 June 1996)

The directors do not have any interests required to be disclosed under Schedule 7 of the Companies Act 1985.

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 group continues and that appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Employee consultation

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

Fixed assets

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

Directors' report (continued)

Auditors

Arthur Andersen have expressed their willingness to be reappointed as auditors for the ensuing year.

By order of the Board,



M.C.E. Sturt
Secretary

P.O. Box 60
Craven Road
Broadheath
Altrincham
Cheshire

29 July 1996

Auditors' report

Manchester

To the Shareholders of Tilghman Wheelabrator Limited:

We have audited the accounts on pages 5 to 25 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 9 to 11.

Respective responsibilities of directors and auditors

As described on page 1 the company's directors are responsible for the preparation of the accounts. 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 accounts. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the accounts and of whether the accounting policies are appropriate to the circumstances of the company and of the group, 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 and of the group at 31 December 1995 and of the group's profit and cash flows 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

Bank House
9 Charlotte Street
Manchester
M1 4EU

29 July 1996

Consolidated profit and loss account

For the year ended 31 December 1995

	Notes	12 months ended 31 December 1995 £	13 months ended 31 December 1994 £
Turnover	2	11,746,134	8,776,776
Cost of sales		<u>(9,784,475)</u>	<u>(6,640,693)</u>
Gross profit		1,961,659	2,136,083
Other operating expenses (net)	3	<u>(1,075,586)</u>	<u>(1,653,736)</u>
Operating profit		886,073	482,347
Profit on sale of tangible fixed assets	4	<u>2,945,750</u>	<u>839,572</u>
Profit on ordinary activities before interest		3,831,823	1,321,919
Interest received		63,706	58,781
Interest payable and similar charges	5	<u>(112,783)</u>	<u>(165,550)</u>
Profit on ordinary activities before taxation	6	3,782,746	1,215,150
Tax on profit on ordinary activities	8	<u>(1,096,699)</u>	<u>(130,328)</u>
Retained profit for the financial period		2,686,047	1,084,822
Retained profit (accumulated deficit), 31 December 1994		465,674	(751,691)
Transfer from foreign currency translation reserve		-	132,543
Retained profit, 31 December 1995		<u>3,151,721</u>	<u>465,674</u>

All activity has arisen from continuing operations. The group 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 accompanying notes are an integral part of this profit and loss account.

Consolidated balance sheet

31 December 1995

	Notes	1995 £	1994 £
Fixed assets			
Intangible assets	9	-	6,000
Tangible assets	10	1,148,355	1,253,216
Investments	11	642,783	642,783
		<u>1,791,138</u>	<u>1,901,999</u>
Current assets			
Stocks	12	1,130,123	806,941
Debtors: Amounts falling due after more than one year	13	1,040,313	885,362
Debtors: Amounts falling due within one year	14	5,647,391	4,085,132
Cash at bank and in hand		1,193,153	417,310
		<u>9,010,980</u>	<u>6,194,745</u>
Creditors: Amounts falling due within one year	15	<u>(4,931,098)</u>	<u>(3,192,877)</u>
Net current assets		<u>4,079,882</u>	<u>3,001,868</u>
Total assets less current liabilities		<u>5,871,020</u>	<u>4,903,867</u>
Creditors: Amounts falling due after more than one year	16	(49,827)	(1,870,288)
Provisions for liabilities and charges	17	(815,863)	(714,296)
Net assets		<u>5,005,330</u>	<u>2,319,283</u>
Capital and reserves			
Called-up share capital	18	1,336,201	1,336,201
Share premium account	19	313,269	313,269
Capital reserve	19	204,139	204,139
Profit and loss account	19	3,151,721	465,674
Total capital employed		<u>5,005,330</u>	<u>2,319,283</u>
Attributable to:			
Equity interests		3,685,330	999,283
Non-equity interests		1,320,000	1,320,000
		<u>5,005,330</u>	<u>2,319,283</u>

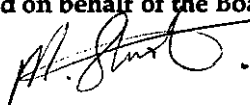
The accompanying notes are an integral part of this balance sheet.

Balance sheet

31 December 1995

	Notes	1995 £	1994 £
Fixed assets			
Tangible assets	10	1,148,355	1,253,216
Investments	11	1,024,694	1,782,060
		<u>2,173,049</u>	<u>3,035,276</u>
Current assets			
Stocks	12	1,130,123	806,941
Debtors: Amounts falling due after more than one year	13	1,040,313	885,362
Debtors: Amounts falling due within one year	14	5,777,224	4,214,965
Cash at bank and in hand		1,193,153	417,310
		<u>9,140,813</u>	<u>6,324,578</u>
Creditors: Amounts falling due within one year	15	<u>(5,325,189)</u>	<u>(4,400,740)</u>
Net current assets		<u>3,815,624</u>	<u>1,923,838</u>
Total assets less current liabilities		<u>5,988,673</u>	<u>4,959,114</u>
Creditors: Amounts falling due after more than one year	16	(49,827)	(1,870,288)
Provisions for liabilities and charges	17	<u>(815,863)</u>	<u>(714,296)</u>
Net assets		<u>5,122,983</u>	<u>2,374,530</u>
Capital and reserves			
Called-up share capital	18	1,336,201	1,336,201
Share premium account	19	313,269	313,269
Revaluation reserve	19	169,372	341,278
Profit and loss account	19	3,304,141	383,782
Total capital employed		<u>5,122,983</u>	<u>2,374,530</u>
Attributable to:			
Equity interests		3,802,983	1,054,530
Non-equity interests		1,320,000	1,320,000
Total capital employed		<u>5,122,983</u>	<u>2,374,530</u>

Signed on behalf of the Board



M.C.E. Sturt

Director

29 July 1996

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

Consolidated cash flow statement

For the year ended 31 December 1995

	Notes	12 months ended 31 December 1995		13 months ended 31 December 1994	
		£	£	£	£
Net cash inflow (outflow) from operating activities	21a		337,364		(508,214)
Returns on investments and servicing of finance					
Interest received		63,706		15,537	
Interest paid		(411,282)		-	
Interest element of finance lease rentals		(16,783)		(9,435)	
Net cash (outflow) inflow from returns on investments and servicing of finance			(364,359)		6,102
Taxation					
UK corporation tax (paid) repaid		(91,959)		30,667	
Tax (paid) received			(91,959)		30,667
Investing activities					
Purchase of tangible fixed assets		(46,231)		(110,497)	
Sale of tangible fixed assets		2,959,250		1,055,501	
Loans to other group undertakings		(154,951)		(842,118)	
Net cash inflow from investing activities			2,758,068		102,886
Net cash inflow (outflow) before financing			2,639,114		(368,559)
Financing					
Capital element of finance lease rental payments		(69,380)		(31,627)	
Repayment of loan from parent undertaking		(1,793,891)		-	
Net cash outflow from financing	21b		(1,863,271)		(31,627)
Increase (decrease) in cash and cash equivalents	21c		775,843		(400,186)

The accompanying notes are an integral part of this statement.

Notes to accounts

31 December 1995

1 Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding period is set out below.

a) Basis of accounting

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

b) Basis of consolidation

The group accounts consolidate the accounts of Tilghman Wheelabrator Limited and all its subsidiary undertakings made up to 31 December 1995. Unless otherwise stated, the acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal. Goodwill arising on consolidation (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) is amortised over a period of seven years. Purchased goodwill of subsidiary undertakings is amortised over a period of four years. Any excess of the aggregate of the fair value of the separable net assets acquired over the fair value of the consideration given (negative goodwill) is credited directly to reserves.

In the company's accounts, investments in subsidiary undertakings are stated at cost less amounts written off plus the company's share of post acquisition retained profits and reserves with a corresponding credit to a non-distributable revaluation reserve. Only dividends received and receivable are credited to the profit and loss account.

No profit and loss account is presented for Tilghman Wheelabrator Limited as permitted by section 230 of the Companies Act 1985. The company's profit for the financial year, determined in accordance with the Act, was £2,748,453 (1994 - £1,092,131).

c) 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

Notes to accounts (continued)

1 Accounting policies (continued)

c) *Tangible fixed assets (continued)*

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

d) *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 of manufacturing overheads based on normal levels of activity.

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.

e) *Taxation*

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

Advance corporation tax payable on dividends paid or provided for in the year is written off, except when recoverability against corporation tax payable is considered to be reasonably assured. Credit is taken for advance corporation tax written off in previous years when it is recovered against corporation tax liabilities.

Deferred taxation (which arises from differences in the timing of the recognition of items, principally depreciation, in the accounts and by the tax legislation) has been calculated on the liability method. Deferred taxation is recognised on timing differences which will probably reverse, at the rates of tax likely to be in force at the time of the reversal. Deferred taxation is not recognised on timing differences which, in the opinion of the directors, will probably not reverse.

Notes to accounts (continued)

1 Accounting policies (continued)

f) Pension costs

The group provides pensions to substantially all employees through a defined benefit scheme.

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

The amount charged to the profit and loss account is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that 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 22c.

g) 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 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.

h) Turnover

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

i) 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 22d.

Notes to accounts (continued)

2 Segment information

Contributions to turnover were as follows:

	12 months ended 31 December 1995 £	13 months ended 31 December 1994 £
By geographical area:		
United Kingdom	4,629,048	4,206,419
Overseas	7,117,086	4,570,357
	<u>11,746,134</u>	<u>8,776,776</u>

All turnover arises from the principal activities of the group.

3 Other operating expenses (net)

	12 months ended 31 December 1995 £	13 months ended 31 December 1994 £
Selling and distribution costs	885,041	941,721
Administrative expenses	599,446	846,862
	<u>1,484,487</u>	<u>1,788,583</u>
Other operating income	(88,298)	(110,386)
Profit on disposal of an investment	(172,792)	-
Exchange gains on foreign currency transactions	(147,811)	(24,461)
	<u>1,075,586</u>	<u>1,653,736</u>

4 Profit on sale of tangible fixed assets

The profit on disposal in both years has arisen from the sale of the company's former premises.

5 Interest payable and similar charges

	12 months ended 31 December 1995 £	13 months ended 31 December 1994 £
On bank loans, overdrafts and other loans repayable within five years, not by instalments	96,000	156,115
On finance leases and hire purchase contracts	16,783	9,435
	<u>112,783</u>	<u>165,550</u>

Notes to accounts (continued)

6 Profit on ordinary activities before taxation

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

	12 months ended 31 December 1995 £	13 months ended 31 December 1994 £
a) Rent receivable	(88,298)	(110,386)
b) Amortisation and amounts written off - goodwill	6,000	19,655
c) Depreciation and amounts written off tangible fixed assets - owned	114,654	139,136
- held under finance leases and hire purchase contracts	52,304	31,267
d) Hire of motor vehicles under operating leases	57,811	72,041
e) Auditors' remuneration - audit	29,000	29,000
- non-audit	21,925	27,092
f) Staff costs (see note 7)	<u>2,323,444</u>	<u>2,271,420</u>

7 Staff costs

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

	12 months ended 31 December 1995 £	13 months ended 31 December 1994 £
Employee costs during the year amounted to:		
Wages and salaries	2,132,948	2,081,560
Social security costs	194,951	189,860
Pension costs	(4,455)	-
	<u>2,323,444</u>	<u>2,271,420</u>

The average weekly number of persons employed by the group during the year was as follows:

	12 months ended 31 December 1995 Number	13 months ended 31 December 1994 Number
Production	89	79
Sales	19	18
Administration	11	12
	<u>119</u>	<u>109</u>

Notes to accounts (continued)

7 Staff costs (continued)

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

	12 months ended 31 December 1995 £	13 months ended 31 December 1994 £
Remuneration for management services (including pension contributions)	<u>244,929</u>	<u>136,797</u>

The directors' remuneration shown above (excluding pensions and pension contributions) included:

	12 months ended 31 December 1995 £	13 months ended 31 December 1994 £
Chairman	-	-
Highest paid director	<u>139,091</u>	<u>59,046</u>

Directors received emoluments (excluding pensions and pension contributions) in the following ranges:

	12 months ended 31 December 1995	13 months ended 31 December 1994
Up to - £ 5,000	5	4
£ 20,001 - £ 25,000	-	1
£ 30,001 - £ 35,000	-	-
£ 40,001 - £ 45,000	1	-
£ 50,001 - £ 55,000	-	1
£ 55,001 - £ 60,000	1	1
£135,001 - £140,000	<u>1</u>	<u>-</u>

Notes to accounts (continued)

8 Tax on profit on ordinary activities

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

	12 months ended 31 December 1995 £	13 months ended 31 December 1994 £
Corporation tax at 33% (1994 - 33%)	1,105,109	343,325
Deferred taxation arising from		
- capital allowances	(125,129)	85,932
- other timing differences	262,515	(96,918)
	<u>1,242,495</u>	<u>332,339</u>
Adjustment of current taxation in respect of prior years	(140,545)	19,603
Relieved ACT previously written off	(39,355)	(195,761)
Adjustment of deferred taxation in respect of timing differences from prior years		
- capital allowances	1,107	24,225
- other timing differences	32,997	(50,078)
	<u>1,096,699</u>	<u>130,328</u>

Deferred taxation

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

	1995 £	1994 £
Excess of book depreciation of fixed assets over tax allowances	11,885	(112,137)
Other timing differences	151,464	446,976
	<u>163,349</u>	<u>334,839</u>

The amount of unprovided deferred taxation is an asset of £331,420 (1994 -£Nil). All unprovided deferred taxation relates to other timing differences.

The movement on deferred taxation comprises:

	1995 £	1994 £
Beginning of year	334,839	298,000
Credited (charged) to profit and loss, in respect of		
- capital allowances	124,022	(110,157)
- other timing differences	(295,512)	146,996
End of year (see note 14)	<u>163,349</u>	<u>334,839</u>

Notes to accounts (continued)

9 Intangible fixed assets

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

	Group	
	1995	1994
	£	£
Goodwill on consolidation	-	6,000

The movement in the year was as follows:

	Consolidation goodwill
	£
Cost	
Beginning and end of year	77,000
Amounts written off	
Beginning of year	71,000
Amortisation	6,000
End of year	77,000
Net book value	-

Notes to accounts (continued)

10 Tangible fixed assets

The movement in the year was as follows:

Group and company	Freehold buildings £	Short leasehold buildings £	Plant and equipment £	Motor vehicles £	Total £
Cost					
Beginning of year	785,536	112,268	1,100,188	281,244	2,279,236
Additions	-	-	37,250	45,768	83,018
Disposals	-	-	(29,252)	(17,238)	(46,490)
End of year	<u>785,536</u>	<u>112,268</u>	<u>1,108,186</u>	<u>309,774</u>	<u>2,315,764</u>
Depreciation					
Beginning of year	33,543	95,696	813,050	83,731	1,026,020
Charge	19,485	2,760	92,739	51,974	166,958
Disposals	-	-	(12,676)	(12,893)	(25,569)
End of year	<u>53,028</u>	<u>98,456</u>	<u>893,113</u>	<u>122,812</u>	<u>1,167,409</u>
Net book value					
Beginning of year	<u>751,993</u>	<u>16,572</u>	<u>287,138</u>	<u>197,513</u>	<u>1,253,216</u>
End of year	<u>732,508</u>	<u>13,812</u>	<u>215,073</u>	<u>186,962</u>	<u>1,148,355</u>
Leased assets included in the above:					
Net book value					
Beginning of year	-	-	-	147,535	147,535
End of year	-	-	-	132,018	132,018

Notes to accounts (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:			
Tilghman Wheelabrator Special Products Limited	England	Dormant	100%
Blastrac Europe Limited	England	Dormant	100%
JFS (UK) Limited	England	Dormant	100%
RBS Pension Trustees Limited	England	Dormant	100%
Other investments:			
Wheelabrator-Berger Maschinenfabriken GmbH	Germany	Engineering	26%

The movement in investments was as follows:

	Group		Company	
	1995 £	1994 £	1995 £	1994 £
Valuation, beginning of period	642,783	642,783	1,782,060	1,782,060
Cost of investments disposed of in the year	-	-	(757,366)	-
Valuation, end of period	<u>642,783</u>	<u>642,783</u>	<u>1,024,694</u>	<u>1,782,060</u>

Investments in subsidiary undertakings are shown at cost plus the company's share of post-acquisition retained profits. If these investments had not been revalued they would have been included at the following amounts:

	1995 £	1994 £
Cost	<u>855,322</u>	<u>1,285,070</u>

Notes to accounts (continued)

12 Stocks

	Group		Company	
	1995 £	1994 £	1995 £	1994 £
Raw materials and manufactured parts	757,020	537,083	757,020	537,083
Work-in-progress balances				
- cost less foreseeable losses	474,659	398,568	474,659	398,568
- less related payments on account	(101,556)	(128,710)	(101,556)	(128,710)
	373,103	269,858	373,103	269,858
	1,130,123	806,941	1,130,123	806,941

13 Debtors: Amounts falling due after more than one year

	Group		Company	
	1995 £	1994 £	1995 £	1994 £
Amounts owed by other group undertakings	1,040,313	885,362	1,040,313	885,362

14 Debtors: Amounts falling due within one year

	Group		Company	
	1995 £	1994 £	1995 £	1994 £
Trade debtors	1,867,384	1,120,001	1,867,384	1,120,001
Amounts owed by subsidiary undertakings	-	-	129,833	129,833
Amounts owed by other group undertakings	3,514,068	2,489,842	3,514,068	2,489,842
VAT	-	38,651	-	38,651
Prepayments and accrued income	102,590	101,799	102,590	101,799
Deferred taxation (see note 8)	163,349	334,839	163,349	334,839
	5,647,391	4,085,132	5,777,224	4,214,965

Notes to accounts (continued)

15 Creditors: Amounts falling due within one year

	Group		Company	
	1995 £	1994 £	1995 £	1994 £
Obligations under finance leases and hire purchase contracts	62,683	68,706	62,683	68,706
Payments received on account	97,938	133,672	97,938	133,672
Trade creditors	1,370,646	1,092,006	1,370,646	1,092,006
Amounts owed to subsidiary undertakings	-	-	394,091	1,380,655
Amounts owed to other group undertakings	692,586	1,026,476	692,586	853,684
Other creditors				
- UK corporation tax payable	1,065,754	147,564	1,065,754	147,564
- VAT	464,965	-	464,965	-
- social security and PAYE	125,076	54,652	125,076	54,652
- other creditors	-	22,501	-	22,501
Accruals and deferred income	1,051,450	647,300	1,051,450	647,300
	<u>4,931,098</u>	<u>3,192,877</u>	<u>5,325,189</u>	<u>4,400,740</u>

16 Creditors: Amounts falling due after more than one year

	Group		Company	
	1995 £	1994 £	1995 £	1994 £
Obligations under finance leases and hire purchase contracts	49,827	76,397	49,827	76,397
Amounts owed to other group undertakings	-	1,793,891	-	1,793,891
	<u>49,827</u>	<u>1,870,288</u>	<u>49,827</u>	<u>1,870,288</u>

Analysis of borrowings

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

	Group		Company	
	1995 £	1994 £	1995 £	1994 £
Finance leases which expire:				
- within 1 year	62,683	68,706	62,683	68,706
- within 2-5 years	49,827	76,397	49,827	76,397
	<u>112,510</u>	<u>145,103</u>	<u>112,510</u>	<u>145,103</u>

Notes to accounts (continued)

17 Provisions for liabilities and charges

Provisions for liabilities and charges comprise:

	Group		Company	
	1995 £	1994 £	1995 £	1994 £
Provision for warranties	356,881	197,781	356,881	197,781
Provision for pensions	458,982	516,515	458,982	516,515
	<u>815,863</u>	<u>714,296</u>	<u>815,863</u>	<u>714,296</u>

Provision for warranties

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

	Group		Company	
	1995 £	1994 £	1995 £	1994 £
Beginning of year	197,781	343,000	197,781	343,000
Charge (credit) to profit and loss account	159,100	(145,219)	159,100	(145,219)
End of year	<u>356,881</u>	<u>197,781</u>	<u>356,881</u>	<u>197,781</u>

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 22c).

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

	Group		Company	
	1995 £	1994 £	1995 £	1994 £
Beginning of year	516,515	516,515	516,515	516,515
Credit to profit and loss account	(4,455)	-	(4,455)	-
Contributions paid	(53,078)	-	(53,078)	-
End of year	<u>458,982</u>	<u>516,515</u>	<u>458,982</u>	<u>516,515</u>

Notes to accounts (continued)

18 Called-up share capital

	1995 £	1994 £
<i>a) Authorised, allotted, called-up and fully paid</i>		
16,201 ordinary shares of £1 each (equity)	16,201	16,201
1,320,000 deferred shares of £1 each (non-equity)	1,320,000	1,320,000
	<u>1,336,201</u>	<u>1,336,201</u>

b) Voting and dividend rights

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

c) 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 year ended 31 December 1995 is as follows:

	<u>Non distributable</u>		Distributable profit and loss account	Total
	Share premium account £	Capital reserve £		
Group				
Beginning of year	313,269	204,139	465,674	983,082
Retained profit for the year	-	-	2,686,047	2,686,047
End of year	<u>313,269</u>	<u>204,139</u>	<u>3,151,721</u>	<u>3,669,129</u>

Notes to accounts (continued)

19 Reserves (continued)

	Non distributable		Distributable profit and loss account	Total
	Share premium account	Revaluation reserve		
	£	£	£	£
Company				
Beginning of year	313,269	341,278	383,782	1,038,329
Transfer from revaluation reserve	-	(171,906)	171,906	-
Retained profit for the year	-	-	2,748,453	2,748,453
End of year	<u>313,269</u>	<u>169,372</u>	<u>3,304,141</u>	<u>3,786,782</u>

20 Reconciliation of movements in shareholders' funds

	Group		Company	
	1995	1994	1995	1994
	£	£	£	£
Profit for the financial period	2,686,047	1,084,822	2,748,453	1,092,131
Opening shareholders' funds	2,319,283	1,234,461	2,374,530	1,282,399
Closing shareholders' funds	<u>5,005,330</u>	<u>2,319,283</u>	<u>5,122,983</u>	<u>2,374,530</u>

21 Cash flow information

a) Reconciliation of operating profit to net cash inflow (outflow) from operating activities

	12 months ended 31 December 1995	13 months ended 31 December 1994
	£	£
Operating profit	886,073	482,347
Depreciation charges	166,958	170,403
Loss (profit) on sale of tangible fixed assets	7,421	(5,863)
Amortisation of goodwill	6,000	19,655
Increase in stocks	(323,182)	(237,849)
Increase in debtors	(1,733,749)	(1,107,303)
Increase in creditors and provisions	1,327,843	170,396
Net cash inflow (outflow) from operating activities	<u>337,364</u>	<u>(508,214)</u>

Notes to accounts (continued)

21 Cash flow information (continued)

b) Analysis of changes in financing

	Loan from parent undertaking £	Share capital (including premium) £	Finance lease obligations £
Balance at 30 November 1993	1,793,891	1,649,470	55,911
Inception of finance lease contracts	-	-	120,819
Capital element of finance lease rental payments	-	-	(31,627)
Balance at 30 November 1994	1,793,891	1,649,470	145,103
Inception of finance lease contracts	-	-	36,787
Capital element of finance lease rental payments	-	-	(69,380)
Repayment of loan	(1,793,891)	-	-
Balance at 31 December 1995	-	1,649,470	112,510

c) Analysis of changes in cash and cash equivalents

	Cash at bank and in hand £	Bank overdrafts £	Net £
Balance at 30 November 1993	1,161,757	(344,261)	817,496
Net cash (outflow) inflow	(744,447)	344,261	(400,186)
Balance at 31 December 1994	417,310	-	417,310
Net cash inflow	775,843	-	775,843
Balance at 31 December 1995	1,193,153	-	1,193,153

22 Guarantees and other financial commitments

a) Capital commitments

At the end of the year, capital commitments were:

	Group		Company	
	1995 £	1994 £	1995 £	1994 £
Contracted for but not provided for	10,000	1,119	10,000	1,119
Authorised but not contracted for	-	-	-	-

b) Contingent liabilities

The group has given bank guarantees to customers in respect of advance payments and the performance of goods sold totalling £238,984 (1994 - £258,311).

Notes to accounts (continued)

22 Guarantees and other financial commitments (continued)

c) Pension arrangements

The pension charge for the year was £4,455 credit (1994 - £Nil). The pension provision is assessed in accordance with the advice of a professionally qualified actuary. The latest actuarial valuation was at 6 April 1993 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 £8,714,862 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 1996. A provision of £458,982 (1994 - £516,515) is included in provisions, being the excess of the accumulated pension cost over the amount funded.

d) Lease commitments

The group 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 year to 31 December 1995 was £57,811 (1994 - £72,041).

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

	Group and Company	
	1995	1994
	£	£
Operating leases which expire		
- within 1 year	37,739	59,974
- within 2-5 years	4,630	57,446
	<u>42,369</u>	<u>117,420</u>

23 Ultimate parent company

The company is a subsidiary undertaking of WMX Inc. incorporated in the USA.

The largest group of which Tilghman Wheelabrator Limited is a member and for which group accounts are drawn up is that headed by WMX Inc. The smallest such group is that headed by Wheelabrator Technologies (U.K.) Limited, registered in England and Wales.