



USF Surface Preparation Limited

Annual report and accounts
for the year ended 31 December 2000

Registered number:33672



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Directors' report

For the year ended 31 December 2000

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

Principal activities

The principal activities of the company are the manufacture and supply of surface preparation machinery and associated spare parts and servicing.

Business review

Turnover was £35,112,000 in the year ended 31 December 2000 compared to £24,427,000 for the nine months ended 31 December 1999. Operating profit for the year ended 31 December 2000 was £1,219,000 compared to £498,000 for the nine months ended 31 December 1999.

Results and dividends

The audited accounts for the year ended 31 December 2000 are set out on pages 6 to 22. The profit for the year after taxation was £122,000 (nine months ended 31 December 1999 - profit £126,000).

The directors do not recommend payment of a dividend (2000 £Nil).

Directors

The directors who served during the year were as follows:

A.T. Carmichael

J. McAdam (resigned 31 December 1999)

S.A. Cole

M.C.E. Sturt (resigned 12 July 2000)

H.A. Rodder (appointed 16 December 1999)

Directors' interests

The directors have no interests required to be disclosed under Schedule 7 of the Companies Act 1985.

Fixed assets

In the opinion of the directors there is no material difference between the book and the current open market value of interests in land and buildings.

Directors' report (continued)

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.

Employee consultation

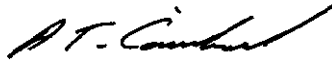
The directors are responsible for communicating relevant information to all employees and for developing their involvement in company affairs as appropriate.

Auditors

Arthur Andersen were appointed as auditors during the year. The directors will place a resolution before the annual general meeting to reappoint Arthur Andersen as auditors for the ensuing year.

P.O. Box 60
Craven Road
Broadheath
Altrincham
Cheshire
WA14 5EP

By order of the Board,



A.T. Carmichael
Director

30 November 2001

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

To the Shareholders of USF Surface Preparation Limited

We have audited the financial statements of USF Surface Preparation Limited for the year ended 31 December 2000 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the Statement of Accounting Policies, and the related Notes numbered 1 to 23. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of opinion

We conducted our audit in accordance with United Kingdom 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 judgments made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the company, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the 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 31 December 2000 and of the company's profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen
Chartered Accountants and Registered Auditors

Bank House
9 Charlotte Street
Manchester
M1 4EU

30 November 2001

Profit and loss account

For the year ended 31 December 2000

	Notes	Year ended 31 December 2000 £'000	9 month period ended 31 December 1999 (see note 1) £'000
Turnover	2		
Existing operations		33,459	24,427
Acquisitions		1,653	-
Continuing operations		<u>35,112</u>	<u>24,427</u>
Cost of sales	3	(27,424)	(17,501)
Gross profit	3	<u>7,688</u>	<u>6,926</u>
Other operating expenses (net)	3	(6,469)	(6,428)
Operating profit			
Existing operations		1,221	498
Acquisitions		(2)	-
Profit on ordinary activities before finance charges		<u>1,219</u>	<u>498</u>
Finance charges (net)	4	(1,134)	(290)
Profit on ordinary activities before taxation	5	<u>85</u>	<u>208</u>
Tax on profit on ordinary activities	8	37	(82)
Profit on ordinary activities after taxation		<u>122</u>	<u>126</u>
Retained profit for the year	18	<u>122</u>	<u>126</u>


There are no recognised gains or losses in either period other than the profit for the financial period.

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

Balance sheet
31 December 2000

	Notes	2000 £'000	1999 (see note 1) £'000
Fixed assets			
Patents and trademarks	9	44	56
Goodwill	9	1,324	1,337
		<u>1,368</u>	<u>1,393</u>
Tangible assets	10	5,206	5,143
Investments	11	5,231	5,108
		<u>11,805</u>	<u>11,644</u>
Current assets			
Stocks	12	5,216	4,461
Debtors			
- due within one year	13	19,633	17,687
- due after one year	13	-	640
Cash at bank and in hand		1,782	-
		<u>26,631</u>	<u>22,788</u>
Creditors: Amounts falling due within one year	14	<u>(14,225)</u>	<u>(22,223)</u>
Net current assets		<u>12,406</u>	<u>565</u>
Total assets less current liabilities		24,211	12,209
Creditors: Amounts falling due after more than one year	15	(16,666)	(4,400)
Provisions for liabilities and charges	16	(225)	(611)
Net assets		<u>7,320</u>	<u>7,198</u>
Capital and reserves			
Called-up share capital	17	1,336	1,336
Share premium account	18	314	314
Other reserve	18	169	169
Profit and loss account	18	5,501	5,379
Shareholders' funds	19	<u>7,320</u>	<u>7,198</u>
Shareholders' funds may be analysed as:			
Equity interests		6,000	5,878
Non-equity interests		1,320	1,320
		<u>7,320</u>	<u>7,198</u>

The accounts on pages 6 to 22 were approved by the board of directors on 30 November 2001 and signed on its behalf by:

A.T. Carmichael  Director

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

Statement of accounting policies

31 December 2000

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding period

Basis of accounting

The accounts have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets, and in accordance with applicable accounting standards.

The company has taken advantage of the exemption from preparing consolidated accounts afforded by Section 228 of the Companies Act 1985 because it is a wholly owned subsidiary of Wheelabrator Technologies (UK) Limited which prepares consolidated accounts which are publicly available. The company is exempt from the requirement of FRS 1 to present a cash flow statement as its ultimate parent company, Vivendi SA prepares consolidated accounts including a cash flow statement which are publicly available.

Intangible assets - Goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which is twenty years. Provision is made for any impairment.

Intangible assets – patents and trade marks

Patents and trade marks are included at cost and depreciated in equal, annual instalments over a period of eight years which is their estimated useful economic life. Provision is made for any impairment.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than freehold land, 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% to 2.5% per annum
Short leasehold land and buildings	Term of lease
Plant and equipment	10% to 25% per annum
Motor vehicles, computers, office equipment fixtures and fittings	25% per annum

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

Investments

Fixed asset investments are shown at cost less provision for impairment.

Statement of accounting policies (continued)

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes materials (on a first in first out basis), direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Net realisable value is based on estimated 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

UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is provided using the liability method on all timing differences only to the extent that they are expected to reverse in the future without being replaced.

Turnover

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes.

Pension costs and other post retirement benefits

The company offers pensions to substantially all employees through a defined benefit scheme. The amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits 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 payroll. Variations from regular cost are charged or credited to the profit and loss account as a constant percentage of payroll over the estimated average remaining working life of scheme members. Defined benefit schemes are funded, with the assets of the scheme held separately from those of the company in separate trustee administered funds. Differences between amounts charged to the profit and loss account and amounts funded are shown as either provisions or prepayments in the balance sheet.

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate. All exchange differences are included in the profit and loss account.

Leases

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

Statement of accounting policies (continued)

Leases (continued)

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

Research and development expenditure

Research and development expenditure is expensed as incurred.

Finance costs

Finance costs of debt and non-equity shares are recognised in the profit and loss account over the term of such instruments at a constant rate on the carrying amount. Where the finance costs for non-equity shares are not equal to the dividends on these instruments, the difference is also accounted for in the profit and loss account as an appropriation of profits.

Notes to accounts

31 December 2000

1 Prior year comparatives

The accounts for the nine months ended 31 December 1999 were reported on, without qualification, by a firm of accountants other than Arthur Andersen.

2 Segment information

Geographical segments:

	Year ended 31 December 2000 £'000	9 months ended 31 December 1999 £'000
United Kingdom	20,104	13,276
Rest of World	15,008	11,151
Total	<u>35,112</u>	<u>24,427</u>

All turnover arises from the principal activity of the company.

3 Cost of sales, gross profit and other operating expenses (net)

	Year ended 31 December 2000			9 months ended 31 December 1999
	Existing operations £'000	Acquisitions £'000	Total £'000	Total £'000
Cost of sales	<u>26,370</u>	<u>1,054</u>	<u>27,424</u>	<u>17,501</u>
Gross profit	<u>7,089</u>	<u>599</u>	<u>7,688</u>	<u>6,926</u>
Selling and distribution costs	3,496	389	3,885	3,454
Administrative expenses	2,372	212	2,584	2,974
Other operating expenses	<u>5,868</u>	<u>601</u>	<u>6,469</u>	<u>6,428</u>

On 1 January 2000 the trade and assets of BCT Spares Limited, a subsidiary undertaking, were hived up into the company at net book value.

The results of this division are shown as acquisitions.

Notes to accounts (continued)

4 Finance charges (net)

	Year ended 31 December 2000 £'000	9 months ended 31 December 1999 £'000
Interest receivable and similar income	-	24

Interest payable and similar charges

	Year ended 31 December 2000 £'000	9 months ended 31 December 1999 £'000
Finance leases and hire purchase contracts	24	4
Interest payable to fellow group companies	283	150
Bank interest	307	160
Exchange loss on foreign currency borrowings	520	-
	<u>1,134</u>	<u>314</u>

Finance charges (net)

Interest payable and similar charges	1,134	314
Less investment income	-	(24)
	<u>1,134</u>	<u>290</u>

5 Profit on ordinary activities before taxation

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

	Year ended 31 December 2000 £'000	9 months ended 31 December 1999 £'000
Depreciation and amounts written off tangible fixed assets		
- owned	835	851
- held under finance leases and hire purchase contracts	43	17
Amortisation of patents and trademarks	12	12
Amortisation of goodwill	89	85
Profit on sale of fixed assets	(8)	(161)
Operating lease rentals		
- plant and machinery	487	249
- land and buildings	701	526
Auditors' remuneration		
- audit services	48	55
- non-audit	-	25
	<u>-</u>	<u>25</u>

Notes to accounts (continued)

6 Staff costs

The average monthly number of employees (including executive directors) was:

	Year ended 31 December 2000 Number	9 months ended 31 December 1999 Number
Production	284	271
Sales	79	80
Administration	38	46
	<u>401</u>	<u>397</u>

Their aggregate remuneration comprised:

Wages and salaries	8,649	5,136
Social security costs	754	498
Other pension costs (see note 21)	408	237
	<u>9,811</u>	<u>5,871</u>

7 Directors' remuneration and transactions

Remuneration

The remuneration of the directors was as follows:

	Year ended 31 December 2000 £'000	9 months ended 31 December 1999 £'000
Emoluments	257	319
Company contributions to money purchase pension schemes	12	9
	<u>269</u>	<u>328</u>
Compensation for loss of office	8	-
	<u>277</u>	<u>328</u>

Pensions

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

	Year ended 31 December 2000 Number	9 months ended 31 December 1999 Number
Money purchase schemes	1	1
Defined benefit schemes	2	2
	<u>3</u>	<u>3</u>

Notes to accounts (continued)

7 Directors' remuneration and transactions (continued)

Highest-paid director

The above amounts for remuneration include the following in respect of the highest paid director:

	Year ended 31 December 2000 £'000	9 months ended 31 December 1999 £'000
Emoluments	114	130
Company contributions to money purchase schemes	12	9
	<u>126</u>	<u>139</u>

8 Tax on profit on ordinary activities

The tax (credit) charge comprises:

	Year ended 31 December 2000 £'000	9 months ended 31 December 1999 £'000
UK corporation tax	-	82
Adjustments in respect of prior years		
- UK corporation tax	(37)	-
	<u>(37)</u>	<u>82</u>

There is no tax charge for the year as the company has utilised tax losses brought forward to reduce the charge to nil.

The company has tax losses to carry forward at 31 December 2000 of approximately £170,000 (1999 - £50,000).

Notes to accounts (continued)

9 Intangible fixed assets

	Patents and trade marks £'000	Goodwill £'000	Total £'000
Cost			
At 1 January 2000	96	1,707	1,803
Addition	-	95	95
At 31 December 2000	<u>96</u>	<u>1,802</u>	<u>1,898</u>
Amortisation			
At 1 January 2000	40	370	410
Charge for the year	12	108	120
At 31 December 2000	<u>52</u>	<u>478</u>	<u>530</u>
Net book value			
At 31 December 2000	<u>44</u>	<u>1,324</u>	<u>1,368</u>
At 31 December 1999	<u>56</u>	<u>1,337</u>	<u>1,393</u>

Notes to accounts (continued)

10 Tangible fixed assets

	Land and buildings		Plant and machinery £'000	Total £'000
	Freehold £'000	Short leasehold £'000		
Cost				
At 1 January 2000	4,481	156	6,190	10,827
Additions	21	-	530	551
Reclassification	(877)	(44)	921	-
Disposals	(518)	-	(476)	(994)
Acquisitions	195	-	532	727
At 31 December 2000	<u>3,302</u>	<u>112</u>	<u>7,697</u>	<u>11,111</u>
Depreciation				
At 1 January 2000	1,572	123	3,989	5,684
Charge for the year	169	6	703	878
Reclassification	(699)	(17)	716	-
Disposals	(513)	-	(355)	(868)
Acquisitions	5	-	206	211
At 31 December 2000	<u>534</u>	<u>112</u>	<u>5,259</u>	<u>5,905</u>
Net book value				
At 31 December 2000	<u>2,768</u>	<u>-</u>	<u>2,438</u>	<u>5,206</u>
At 31 December 1999	<u>2,909</u>	<u>33</u>	<u>2,201</u>	<u>5,143</u>
Leased assets included above				
Net book value				
At 31 December 2000	<u>-</u>	<u>-</u>	<u>170</u>	<u>170</u>
At 31 December 1999	<u>-</u>	<u>-</u>	<u>213</u>	<u>213</u>

Freehold land, amounting to £336,000 (1999 - £336,000) has not been depreciated.

Notes to accounts (continued)

11 Fixed asset investments

	2000 £'000	1999 £'000
Subsidiary undertakings	5,108	5,108
Other investment and loans	123	-
	<u>5,231</u>	<u>5,108</u>

Subsidiary undertakings

The company has investments in the following subsidiary undertakings. To avoid a statement of excessive length, details of investments which are not significant have been omitted.

	Country of incorporation or principal business address	Principal activity	Holding	%
Blastrac Europe Limited	England	Dormant	Ordinary	100
Tilghman Wheelabrator	England	Dormant	Ordinary	100
Vacu-Blast Europe Limited	England	Dormant	Ordinary	100
Vacu-Blast Limited	England	Dormant	Ordinary	100
Metaref Limited	England	Dormant	Ordinary	100
Matrasur SA	France	Engineering	Ordinary	100
Matrasur Composites SA	France	Holding	Ordinary	100

£'000

Subsidiary undertakings

Cost

At 1 January 2000 and 31 December 2000 5,108

Other investments

Cost

At 1 January 2000 -

Acquisition 123

At 31 December 2000 123

Notes to accounts (continued)

12 Stocks

	2000 £'000	1999 £'000
Raw materials and consumables	774	3,170
Work-in-progress	610	1,291
Finished goods and goods for resale	3,832	-
	<u>5,216</u>	<u>4,461</u>

There is no material difference between the balance sheet value of stocks and their replacement cost.

13 Debtors

	2000 £'000	1999 £'000
Amounts falling due within one year:		
Trade debtors	6,643	8,179
Amounts owed by group undertakings	12,212	8,080
Other debtors	62	1,349
Prepayments and accrued income	716	79
	<u>19,633</u>	<u>17,687</u>

	2000 £'000	1999 £'000
Amounts falling due after more than one year:		
Amounts owed by group undertakings	-	640
	<u>-</u>	<u>640</u>

14 Creditors: Amounts falling due within one year

	2000 £'000	1999 £'000
Obligations under finance leases and hire purchase contracts	97	117
Bank loans and overdrafts	3,647	3,387
Trade creditors	3,925	5,262
Amounts owed to group undertakings	5,287	10,543
UK corporation tax	-	340
Other taxation and social security	439	489
Other creditors	25	1,827
Accruals and deferred income	805	258
	<u>14,225</u>	<u>22,223</u>

Notes to accounts (continued)

15 Creditors: Amounts falling due after more than one year

	2000 £'000	1999 £'000
Other creditors		
Bank loans and overdrafts	37	-
Obligations under finance leases and hire purchase contracts	140	294
Amounts owed to group undertakings	16,489	4,106
	<u>16,666</u>	<u>4,400</u>

Borrowings are repayable as follows:

	£'000	£'000
Bank loans and overdrafts		
Between one and two years	37	-
On demand or within one year	3,647	3,387
	<u>3,684</u>	<u>3,387</u>

	2000 £'000	1999 £'000
Finance leases		
Between one and two years	77	117
Between two and five years	63	177
On demand or within one year	97	117
	<u>237</u>	<u>411</u>

16 Provisions for liabilities and charges

	Other provisions £'000	Product warranties £'000	Total £'000
At 1 January 2000	53	558	611
Charged to profit and loss account	-	225	225
Utilised in year	(53)	(558)	(611)
At 31 December 2000	<u>-</u>	<u>225</u>	<u>225</u>

The provision for product warranties relates to expected warranty claims on products sold generally in the last twelve months. It is expected that most of this expenditure will be incurred in the next financial year and that all will be incurred within three years of the balance sheet date.

Notes to accounts (continued)

16 Provisions for liabilities and charges (continued)

Deferred taxation provided and deferred taxation not provided are as follows:

	Provided		Not provided	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Accelerated capital allowances	-	-	(59)	(59)
Other timing differences	-	-	(367)	(367)
	<u>-</u>	<u>-</u>	<u>(426)</u>	<u>(426)</u>

The directors have not recognised the deferred tax asset on the grounds of prudence.

17 Called-up share capital

	2000 £'000	1999 £'000
<i>Authorised, allotted, called-up and fully-paid</i>		
16,201 ordinary shares of £1 each	16	16
1,320,000 deferred shares of £1 each (non-equity)	1,320	1,320
	<u>1,336</u>	<u>1,336</u>

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 is distributed to the holders of the ordinary shares.

18 Reserves

	Share Premium Account £'000	Other reserve £'000	Profit and loss account £'000	Total £'000
At 1 January 2000	314	169	5,379	5,862
Retained profit for the year	-	-	122	122
At 31 December 2000	<u>314</u>	<u>169</u>	<u>5,501</u>	<u>5,984</u>

Notes to accounts (continued)

19 Reconciliation of movements in shareholders' funds

	2000 £'000	1999 £'000
Profit for the financial period	<u>122</u>	<u>126</u>
Net addition to shareholders' funds	122	126
Opening shareholders' funds	<u>7,198</u>	<u>7,072</u>
Closing shareholders' funds	<u>7,320</u>	<u>7,198</u>

20 Financial commitments

Capital commitments are as follows:

	2000 £'000	1999 £'000
Contracted for but not provided for	<u>-</u>	<u>50</u>

Annual commitments under non-cancellable operating leases are as follows:

	2000		1999	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Expiry date				
- within one year	-	41	-	73
- between two and five years	597	324	597	199
- after five years	<u>105</u>	<u>-</u>	<u>105</u>	<u>-</u>
	<u>702</u>	<u>365</u>	<u>702</u>	<u>272</u>

21 Pension arrangements

The company operates a funded defined benefit scheme for its employees. The assets of the scheme are held separately from those of the company in an independently administered fund. Contributions to the scheme are charged to the profit and loss account and are determined by qualified Actuary on the basis of triennial valuations using the Attained Age Normal method. The most recent valuation was at 6 April 1998 and the assumptions that have the most significant effect on the results of the valuation are the rate of return on investments and the rates of increases in salaries and pensions.

It was assumed that investment returns would be 8.5% p.a., salary increases would average 6.5% p.a. and pensions coming into payment in respect of pension in excess of the GMP element would increase at the rate of 4.25% p.a. (being our assumption for pensions increasing at 5% p.a. or in line with RPI if less, with a minimum of 3% p.a. in most cases). The GMP element of pensions coming in to payment was assumed to increase at 3% p.a., in accordance with the scheme rules.

Notes to accounts (continued)

21 Pension arrangements (continued)

The market value of the scheme assets at the valuation date was £12,817,694. The actuarial value of these assets represented 104% of the benefits that had accrued to members after allowing for expected increases in earnings. The company is paying reduced contributions to the scheme, calculated so that the surplus is expected to be removed over the future working lifetime of the active membership as at the valuation date.

The pension cost charge for the year for defined benefit schemes was £325,000.

The company also operates a number of defined contribution schemes for which the pension cost charge for the year amounted to £74,000.

22 Contingent liabilities

The company has given bank guarantees to customers in respect of advance payments and the performance of goods sold.

23 Ultimate controlling party

The directors regard Vivendi SA a company incorporated in France, as the ultimate parent company and the ultimate controlling party.

Vivendi SA is the parent company of the largest group of which the company is a member and for which group accounts are drawn up. Copies of the accounts are available from 42 Avenue de Friedland, 75380-Paris, Cedex 08, France. The smallest such group is that headed by Wheelabrator Technologies (UK) Limited.

As a subsidiary undertaking of Vivendi, the company has taken advantage of the exemption in FRS 8 "Related party disclosures" from disclosing transactions with other members of the group headed by Vivendi SA.