

USF Surface Preparation Limited

Directors' Report and financial statements

31 March 1999

Registered number 33672



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USF Surface Preparation Limited

Directors' report and financial statements

<i>Contents</i>	<i>Page</i>
Directors' report	3-4
Statement of directors' responsibilities	5
Auditors' report	6
Profit and loss account	7
Balance sheet	8
Notes	9-24

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 year ended 31 March 1999.

Principal activities and business review

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

With effect from 1 April 1998, the trade and business activities of the fellow subsidiary company, Spencer and Halstead Limited, and the assets and liabilities of that company were transferred into USF Surface Preparation Limited at net book value of £1,431,000.

On 15th December 1998 the company also acquired the trade and assets of Abrasive Developments Limited, and of its associated company, ITS Limited for £1,500,000.

Turnover was £20,289,000 in the year to 31 March 1999 as compared to £12,117,000 for the year to 31 March 1998. Operating profit increased from £597,000 to £1,597,000.

During the period, the Halifax manufacturing operation was transferred to the branch at Ossett.

Results and dividends

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

	£000
Profit and loss account at 31 March 1998	4,742
Retained profit for the period	1,227
Profit and loss account at 31 March 1999	<u>5,969</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	- resigned 15 July 1999
MCE Sturt	
A Carmichael	
T Reyners	- resigned 17 March 1999
J McAdam	
SA Cole	- appointed 14 April 1999

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.

Year 2000

We have reviewed all the main operating systems in place at 31 March 1999 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. Since 31 December 1999 we have not become aware of any incidents arising from the Year 2000 issue.

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.

Post balance sheet events

On 1 April the trade and assets of Walther Trowal Limited and Vacu-Blast Limited, fellow-subsiary undertakings of the company, were transferred into USF Surface Preparation Limited,

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 1999 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

KPMG

Chartered Accountants

Registered Auditors

26 January 2000

USF Surface Preparation Limited

Profit and loss account

for the year ended 31 March 1999

	Note	Year ended 31 March 1999	Year ended 31 March 1998
		£000	£000
Turnover			
Continuing operations		11,733	12,117
Acquisitions		8,556	-
		<hr/>	<hr/>
	1,2	20,289	12,117
Cost of sales		(15,252)	(9,797)
		<hr/>	<hr/>
Gross profit		5,037	2,320
Selling and distribution costs		(2,034)	(765)
Profit on sale of fixed assets			
Administrative expenses		(1,406)	(958)
Operating profit	3		
Continuing operations		594	597
Acquisitions		1,003	-
		<hr/>	<hr/>
		1,597	597
Other interest receivable and similar income		47	206
Interest payable and similar charges	4	(201)	(139)
		<hr/>	<hr/>
Profit on ordinary activities before taxation	5	1,443	664
Tax on profit on ordinary activities	7	(216)	(233)
		<hr/>	<hr/>
Retained profit for the year		1,227	431
		<hr/> <hr/>	<hr/> <hr/>

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 18.

The notes form part of these financial statements.

USF Surface Preparation Limited

Balance sheet

at 31 March 1999

	Note	31 March 1999 £000	31 March 1998 £000
Fixed assets			
Intangible assets	8	1,490	80
Tangible assets	9	4,478	959
Investments	10	61	-
		<u>6,029</u>	<u>1,039</u>
Current assets			
Stocks	11	2,539	1,579
Debtors	12	8,421	5,535
Cash at bank and in hand		78	452
		<u>11,038</u>	<u>7,566</u>
Creditors: amounts falling due within one year	13	(7,595)	(3,195)
Net current assets		<u>3,443</u>	<u>4,371</u>
Debtors due after more than one year	14	4,594	6,523
		<u>8,037</u>	<u>10,894</u>
Total assets less current liabilities		<u>14,066</u>	<u>11,933</u>
Creditors: Amounts falling due after more than one year	15	(5,010)	(4,251)
Provisions for liabilities and charges	16	(1,268)	(1,121)
Net assets		<u><u>7,788</u></u>	<u><u>6,561</u></u>
Capital and reserves			
Called-up share capital	17	1,336	1,336
Share premium account	18	314	314
Revaluation reserve	18	169	169
Profit and loss account	18	5,969	4,742
		<u>6,468</u>	<u>5,241</u>
Shareholders' funds		<u>6,468</u>	<u>5,241</u>
Equity		1,320	1,320
Non-equity	17	1,320	1,320
		<u>7,788</u>	<u>6,561</u>

These financial statements were approved by the board of directors on 26/1/00 and were signed on its behalf by:



Signed on behalf of the Board
MCE Sturt
 Director

26 Jan. 2000

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 to 2.5% per annum
Short leasehold buildings	Period of lease
Plant and equipment	10% to 25% per annum
Motor vehicles, computers, office equipment, fixtures and fittings.	25% to 33% 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 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 20.

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.

Research and development expenditure

Expenditure on research and development is not separately identified. Any development costs incurred are charged immediately to operating costs.

USF Surface Preparation Limited

Notes (continued)

1 Accounting policies (continued)

Goodwill

Goodwill relating to a business purchased by the company is amortised over a period of up to 20 years. In the opinion of the directors, this represents a prudent estimate of the period over which the company will derive direct economic benefit from the goodwill acquired as part of that business.

Contract work in progress

Contract work in progress is stated at costs incurred, less those transferred to the profit and loss account, after deducting foreseeable losses and payments on account not matched with turnover.

Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on 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 20.

2 Segment information

	Year ended 31 March 1999 £000	Year ended 31 March 1998 £000
Turnover by geographical area:		
United Kingdom	12,718	6,298
Overseas	7,571	5,819
	<u>20,289</u>	<u>12,117</u>

All turnover arises from the principal activities of the company.

USF Surface Preparation Limited

Notes (continued)

3 Exceptional items

The following adjustments have been charged against operating profit following the acquisition by United States Filter Corporation and subsequent internal reorganisation:

	Year ended 31 March 1999 £000	Year ended 31 March 1998 £000
Inventory write-off	86	(114)
Employee compensation	253	-
Other employee costs	113	-
	<u>452</u>	<u>(114)</u>

4 Interest payable and similar charges

	Year ended 31 March 1999 £000	Year ended 31 March 1998 £000
On finance leases and hire purchase contracts	8	-
Interest payable on inter-group loans	152	139
Bank interest	41	-
	<u>201</u>	<u>139</u>

USF Surface Preparation Limited

Notes (continued)

5 Profit on ordinary activities before taxation

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

	Year ended 31 March 1999 £000	Year ended 31 March 1998 £000
Rent receivable	(89)	(88)
Amortisation and amounts written off - goodwill and patent fees	46	12
Depreciation and amounts written off tangible fixed assets		
- owned	319	147
- held under finance leases and hire purchase contracts	23	7
Hire of motor vehicles under operating leases	14	96
Other operating lease costs	143	
Auditors' remuneration		
- audit	44	17
- non-audit	15	5
Staff costs (see note 6)	6,218	2,827
Loss on sale of fixed assets	40	-
	<hr/>	<hr/>

6 Staff costs

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

	Year ended 31 March 1999 £000	Year ended 31 March 1998 £000
Employee costs during the year amounted to:		
Wages and salaries	5,516	2,543
Social security costs	475	210
Pension costs	227	74
	<hr/>	<hr/>
	6,218	2,827
	<hr/> <hr/>	<hr/> <hr/>

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

	Year ended 31 March 1999	Year ended 31 March 1998
Production	199	93
Sales	60	20
Administration	33	10
	<hr/>	<hr/>
	292	123
	<hr/> <hr/>	<hr/> <hr/>

USF Surface Preparation Limited

Notes (continued)

6 Staff costs (continued)

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

	Year ended 31 March 1999 £000	Year ended 31 March 1998 £000
Remuneration for management services (including pension contributions)	444	298

The emoluments, excluding pension contributions, of the chairman were £nil (1998: £nil) and those of the highest paid director were £277,581 (1998: £176,934).

7 Tax on profit on ordinary activities

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

	Year ended 31 March 1999 £000	Year ended 31 March 1998 £000
Corporation tax at 31%(1998 - 33%)	253	328
Adjustment of current taxation in respect of prior years	(37)	(95)
	<u>216</u>	<u>233</u>

USF Surface Preparation Limited

Notes (continued)

8 Intangible fixed assets

	Patent fees £000	Goodwill £000	Total £000
<i>Cost</i>			
At beginning of year	96	-	96
Transfer from Spencer & Halstead	-	1,349	1,349
Additions in year		358	358
At end of year	<u>96</u>	<u>1,707</u>	<u>1,803</u>
<i>Amounts written off</i>			
Beginning of year	16	-	16
Transfer from Spencer & Halstead	-	233	233
Amortisation	12	52	64
End of year	<u>28</u>	<u>285</u>	<u>313</u>
Net book value At 31 March 1999	<u><u>68</u></u>	<u><u>1,422</u></u>	<u><u>1,490</u></u>
Net book value At 31 March 1998	<u><u>80</u></u>	<u><u>-</u></u>	<u><u>80</u></u>

USF Surface Preparation Limited

Notes (continued)

9 Tangible fixed assets

	Freehold Land & Buildings	Short leasehold Buildings	Plant & Equipment	Motor Vehicles	Total
<i>Cost</i>					
Beginning of year	786	112	1,260	256	2,414
Transfer from Spencer & Halstead Ltd	2,097	-	1,169	-	3,266
Additions from divisions acquired	297	44	784	5	1,130
Additions	-	-	1,283	46	1,329
Disposals	-	-	(307)	(7)	(314)
End of year	<u>3,180</u>	<u>156</u>	<u>4,189</u>	<u>300</u>	<u>7,825</u>
<i>Depreciation</i>					
Beginning of year	101	103	1,068	183	1,455
Transfer from Spencer & Halstead Ltd	261	-	913	-	1,174
Additions from divisions acquired	-	19	544	5	568
Charge	66	1	247	28	342
Disposals	-	-	(186)	(6)	(192)
End of year	<u>428</u>	<u>123</u>	<u>2,586</u>	<u>210</u>	<u>3,347</u>
<i>Net Book Value</i>					
At 31 March 1999	<u>2,752</u>	<u>33</u>	<u>1,603</u>	<u>90</u>	<u>4,478</u>
At 31 March 1998	<u>685</u>	<u>9</u>	<u>192</u>	<u>73</u>	<u>959</u>

USF Surface Preparation Limited

Notes (continued)

10 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 Blastrac Europe Limited	England	Dormant	100%

The movement in investments was as follows:

	1999 £000
Additions in period	61
Valuation at end of year	61

USF Surface Preparation acquired the assets and liabilities of Abrasive Developments Limited and its associated company ITS Limited on 15th December 1998.

The assets were acquired at their net book value which was equal to their fair value. The consideration was settled by the transfer of shares in the parent company.

An analysis of the net assets acquired is set out below:

	£'000
Tangible fixed assets	672
Goodwill	358
Stocks	449
Trade debtors	852
Other debtors and prepayments	38
Cash at bank and in hand	3
Trade creditors	(682)
Other creditors and accruals	(190)
	<u>1,500</u>

USF Surface Preparation Limited

Notes (continued)

11 Stocks

	At 31 March 1999 £000	At 31 March 1998 £000
Raw materials and manufactured parts	2,100	1,116
Work-in-progress balances		
- cost less foreseeable losses	947	636
- less related payments on account	(508)	(173)
	439	463
	2,539	1,579

12 Debtors: Amounts falling due within one year

	At 31 March 1999 £000	At 31 March 1998 £000
Trade debtors	4,881	1,649
Amounts owed by group undertakings	3,437	3,834
Prepayments and accrued income	103	52
	8,421	5,535

USF Surface Preparation Limited

Notes (continued)

13 Creditors: Amounts falling due within one year

	At 31 March 1999 £000	At 31 March 1998 £000
Bank loans and overdrafts	1,104	-
Obligations under finance leases and hire purchase contracts	184	-
Payments received on account	534	166
Trade creditors	2,513	1,346
Amounts owed to group undertakings	2,091	683
Other creditors:		
- UK corporation tax payable	253	516
- VAT	26	25
- social security and PAYE	232	68
- other creditors	6	63
Accruals and deferred income	652	328
	<u>7,595</u>	<u>3,195</u>

14 Debtors: Amounts falling due after more than one year

	At 31 March 1999 £000	At 31 March 1998 £000
Amounts owed by other group undertakings	4,594	6,523
	<u>4,594</u>	<u>6,523</u>

15 Creditors: Amounts falling due after more than one year

	At 31 March 1999 £000	At 31 March 1998 £000
Obligations under finance leases and hire purchase contracts	333	-
Amounts owed to group undertakings	4,677	4,251
	<u>5,010</u>	<u>4,251</u>

USF Surface Preparation Limited

Notes (continued)

15 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 1999 £000	At 31 March 1998 £000
Finance leases which expire:		
- within one year	184	-
- 2 - 5 years	333	-
	<hr/>	<hr/>
	517	-
	<hr/> <hr/>	<hr/> <hr/>

16 Provisions for liabilities and charges

Provisions for liabilities and charges comprise:

	At 31 March 1999 £000	At 31 March 1998 £000
Provision for warranties	307	267
Provision for pensions	397	441
Other provisions	564	413
	<hr/>	<hr/>
	1,268	1,121
	<hr/> <hr/>	<hr/> <hr/>

Provision for warranties

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

	At 31 March 1999 £000	At 31 March 1998 £000
Beginning of period	267	368
Utilised during year	(106)	(101)
Charge to profit and loss account	146	-
	<hr/>	<hr/>
End of period	307	267
	<hr/> <hr/>	<hr/> <hr/>

USF Surface Preparation Limited

Notes (continued)

16 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 20c).

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

	At 31 March 1999 £000	At 31 March 1998 £000
Beginning of period	441	441
Charge/(credit) to profit and loss account	260	74
Contributions paid	(304)	(74)
	<hr/>	<hr/>
End of period	397	441
	<hr/> <hr/>	<hr/> <hr/>

Other provisions

	At 31 March 1999 £000	At 31 March 1998 £000
Beginning of period	413	623
Additional provision set up	303	
Utilised during year	(156)	(101)
Charge/(credit) to profit and loss account	4	(109)
	<hr/>	<hr/>
End of period	564	413
	<hr/> <hr/>	<hr/> <hr/>

17 Called-up share capital

	At 31 March 1999 £000	At 31 March 1998 £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.

18 Reserves

The movement in reserves for the period ended 31 March 1999 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	4,742	5,225
Retained profit for the period	-	-	1,227	1,227
End of period	314	169	5,969	6,452

19 Reconciliation of movements in shareholders' funds

	1999 £000	1998 £000
Profit for the financial period	1,227	431
Opening shareholders' funds	6,561	6,130
Closing shareholders' funds	7,788	6,561

USF Surface Preparation Limited

Notes (continued)

20 Guarantees and other financial commitments

a) Capital commitments

	1999 £000	1998 £000
Contracted for but not provided for	36	3
Authorised but not contracted for	25	-
	<u> </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 £839,000 (1998 - £395,665).

c) Pension arrangements

The pension charge for the period was £165,000 (1998-£74,000, charge). The pension provision is assessed in accordance with the advice of a professionally qualified actuary. The latest actuarial valuation was at 6 April 1998 and used the attained age method. The main actuarial assumption was that investment returns would exceed pensionable earnings by 2% in the long term. The market value of the assets of the scheme was £12,817,694 and the actuarial value of the assets was sufficient to cover 104% 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 £396,583 (1998- £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 1999 was £157,000 (1998 - £96,233).

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

	1999 £000	1998 £000
Operating leases which expire		
- within one year	72	11
- within 2-5 years	190	177
	<u> </u>	<u> </u>
	262	188
	<u> </u>	<u> </u>

USF Surface Preparation Limited

Notes *(continued)*

21 Ultimate parent company

The company is a subsidiary undertaking of Wheelabrator Technologies (UK) Limited, a company registered in England and Wales. The smallest group of which USF Surface Preparation Limited is a member and for which group accounts are drawn up is that headed by Wheelabrator Technologies (UK) Limited.

The largest group of which USF Surface Preparation 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.

On 24 April 1999 the US Filter Corporation was acquired by Vivendi SA.