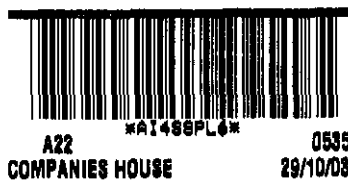


Calgon Europe Limited

Annual report and financial statements
for the year ended 31 December 2002

Registered number: 224165



Directors and advisers

Directors

J.C.S. Smith

J.M. Mozota

Secretary

C.R. Lee

Registered office

P.O. Box 11

Winnington Avenue

Northwich

Cheshire

CW8 4DX

Auditors

Ernst & Young LLP

100 Barbirolli Square

Manchester

M2 3EY

Solicitors

Eversheds

70 Great Bridgewater Street

Manchester

M1 5ES

Bankers

Bank of America

26 Elmfield Road

Bromley

Kent

BR1 1WA

Directors' report

For the year ended 31 December 2002

The directors present their annual report on the affairs of the company, together with the financial statements and auditors' report for the year ended 31 December 2002.

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company 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; and
- prepare the 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 enable them to ensure that the financial statements 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.

Principal activity and business review

The company acts as a toll manufacturer of chemicals for water treatment and of dispersants used in the paper industry. The company manufactures for Ondo Nalco Limited.

Results and dividends

Results, dividends and recommended transfers to reserves are as follows:

	£'000
Retained loss at 1 January 2002	(699)
Retained profit for the year	126
Retained loss at 31 December 2002	<u>(573)</u>

No dividend can be paid.

Directors' report (continued)

Directors and their interests

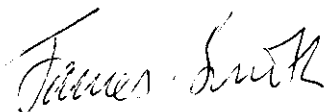
The directors of the company who served throughout the year are listed on page 1.

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

Auditors

On 24 July 2002 Deloitte & Touche resigned as auditors and were replaced by Ernst & Young LLP. A resolution to reappoint Ernst & Young LLP will be put to the members at the Annual General Meeting.

By order of the Board

A handwritten signature in dark ink, appearing to read 'James Smith', written in a cursive style.

J.C.S. Smith
Director

31 July 2003

Independent auditors' report

TO THE MEMBERS OF CALGON EUROPE LIMITED

We have audited the company's accounts for the year ended 31 December 2002 which comprise Profit and Loss Account, Balance Sheet, Statement of Total Recognised Gains and Losses and the related notes 1 to 20. These accounts have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the accounts 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 accounts, 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 audit opinion

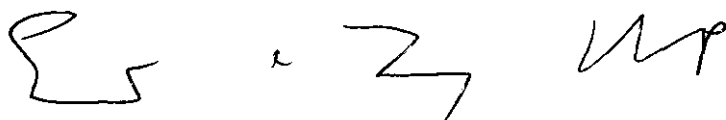
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 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.

Independent auditors' report (continued)

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink, consisting of a stylized 'E' followed by a small 'x' and a 'Z' shape, and then a more complex scribble.

Ernst & Young LLP
Registered Auditors

Ernst & Young LLP
100 Barbirolli Square
Manchester
M2 3EY

31 July 2003

Profit and loss account
For the year ended 31 December 2002

	Notes	2002 £'000	2001 £'000
Turnover		979	1,142
Cost of sales		(880)	(807)
Gross profit		99	335
Administrative expenses		(3)	(382)
Operating loss		96	(47)
Interest receivable	2	-	73
Interest payable	3	(96)	(214)
Loss on ordinary activities before tax	4	-	(188)
Taxation	6	126	208
Profit for the financial year after tax	13	126	20

Statement of Total Recognised Gains and Losses

There are no recognised gains or losses in either year other than the profit of £126,000 (2001 £20,000). All transactions arose from continuing operations.

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

Balance sheet
31 December 2002

	Notes	2002 £'000	2001 £'000
Fixed assets			
Tangible assets	7	1,542	1,879
Current assets			
Debtors	8	254	211
		254	211
Creditors: Amounts falling due within one year	9	(2,150)	(2,520)
Net current assets		(1,896)	(2,309)
Total assets less current liabilities		(354)	(430)
Provisions for liabilities and charges	10	(153)	(203)
Net liabilities	18	(507)	(633)
Capital and reserves			
Called-up share capital	12	66	66
Profit and loss account	13	(573)	(699)
Equity shareholder's deficit	14	(507)	(633)

Signed on behalf of the Board



J.C.S. Smith
Director

31 July 2003

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

Notes to the financial statements

1 Accounting policies

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

a) Basis of accounting

The financial statements are prepared under the historical cost convention. Assets and liabilities are recognised in the financial statements where, as a result of past transactions or events, the company has rights or other access to future economic benefits controlled by the company, or obligations to transfer economic benefits. The financial statements have been prepared in accordance with applicable accounting standards.

The company has taken advantage of exemption from preparing a cash flow statement afforded by FRS 1 because it is a wholly owned subsidiary of Suez SA which prepares consolidated financial statements which are publicly available.

The financial statements have been prepared on a going concern basis as the parent undertaking has confirmed that it will continue to provide any necessary funds to enable the company to continue trading in the foreseeable future.

Having considered the factors referred to above, the directors consider that it is appropriate to adopt the going concern basis of preparing the financial statements. The financial statements do not include any adjustments that might be necessary if the financial support was not forthcoming.

b) Tangible fixed assets

Tangible fixed assets are stated at cost net of depreciation. Depreciation is provided using the straight-line method at rates calculated to write off the cost of each asset over its expected useful economic life, as follows:

Buildings	40 years
Plant, machinery and other equipment	3 - 20 years
Motor vehicles	3 - 5 years

Freehold land is not depreciated.

Profits or losses on the disposal of tangible fixed assets are included in the calculation of profit on ordinary activities before taxation.

c) Pension costs

The company is part of the Ondo Nalco UK Group, which operates funded defined benefit pension schemes for the majority of its employees. Contributions are charged to the profit and loss account so as to spread the cost of pensions over the expected service lives of the employees in the schemes having regard to any actuarial surplus or deficiency.

Notes to the financial statements (continued)

1 Accounting policies (continued)

d) Turnover

Turnover comprises manufacturing fees received from Ondo Nalco Ltd (excluding VAT and similar taxes and trade discounts).

e) Foreign currencies

Normal trading activities denominated in foreign currencies are recorded in sterling at actual exchange rates as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at year end are reported at the rates of exchange prevailing at the year end, except where covered by forward contracts. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is reported as an exchange gain or loss in the profit and loss account.

f) 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 taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more tax, with the following exceptions:

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which the timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

During the year, the company adopted FRS 19. There is no impact on the current year or prior year tax charge as a result of the introduction of FRS 19.

g) Leased assets

Lease payments in respect of operating leases are charged to the profit and loss account as incurred.

Notes to the financial statements (continued)

2 Interest receivable

	2002 £'000	2001 £'000
On loans to group undertakings	-	67
Other interest receivable	-	6
	<u>-</u>	<u>73</u>

3 Interest payable

	2002 £'000	2001 £'000
On loans from group undertakings	-	202
On bank loans and overdrafts	96	11
Other interest payable	-	1
	<u>96</u>	<u>214</u>

4 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging:

	2002 £'000	2001 £'000
Depreciation and amortisation of tangible fixed assets	380	351
Operating lease rentals		
- plant and machinery	8	8
- other	-	-
Loss on translation of foreign currency loan	-	350
	<u>-</u>	<u>350</u>

Auditors' remuneration was borne by Ondeo Nalco Limited, a fellow group company.

Notes to the financial statements (continued)

5 Staff costs

The average number of staff employed by the company during the year was as follows:

	2002 Number	2001 Number
Administration and production	<u>4</u>	<u>5</u>

Their aggregate remuneration comprised:

	2002 £'000	2001 £'000
Wages and salaries	96	105
Social security costs	8	8
Other pension costs	<u>6</u>	<u>6</u>
	<u>110</u>	<u>119</u>

No directors received any remuneration from the company during the year (2001 - £nil). One (2001 - one) of the directors has retirement benefits accruing in the Ondo Nalco group defined benefit scheme.

6 Taxation on profit on ordinary activities

	2002 £'000	2001 £'000
Current Tax:		
UK Corporation tax on the loss of the period	(10)	-
Adjustments in respect of prior periods	<u>86</u>	<u>91</u>
	76	91
Deferred Tax:		
Origination & reversal of timing differences	10	-
Adjustments in respect of prior periods	<u>40</u>	<u>117</u>
Tax on profit/losses on ordinary activities	<u>126</u>	<u>208</u>

Notes to the financial statements (continued)

6 Taxation on profit on ordinary activities (Continued)

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below.

Factors affecting the tax charge for the period	£'000	£'000
Loss on ordinary activities before tax	-	(188)
Full rate corporation tax at 30% on the losses from ordinary activities	-	56
Depreciation for the period in excess of capital allowances	(10)	-
Adjustments in respect of prior periods	86	91
Unrecognised tax losses		(56)
Current tax credit for the period	76	91

7 Tangible fixed assets

The movement in the year was as follows:

	Plant and machinery £'000
Cost	
1 January 2002	7,402
Additions	43
31 December 2002	7,445
Depreciation	
1 January 2002	5,523
Charge for the year	380
31 December 2002	5,903
Net book value	
1 January 2002	1,879
31 December 2002	1,542

Notes to the financial statements (continued)

8 Debtors

Amounts falling due within one year:

	2002 £'000	2001 £'000
Amounts owed by fellow group undertakings	107	-
UK corporation tax recoverable	75	118
Prepayments and accrued income	72	93
	<u>254</u>	<u>211</u>

9 Creditors: Amounts falling due within one year

	2002 £'000	2001 £'000
Bank overdraft	2,006	2,349
Trade creditors	12	16
Amounts owed to fellow group undertakings	6	37
Other taxation and social security	111	73
Accruals and deferred income	15	45
	<u>2,150</u>	<u>2,520</u>

10 Provisions for liabilities and charges

	2002 £'000	2001 £'000
Deferred tax liability	<u>153</u>	<u>203</u>

Notes to the financial statements (continued)

11 Provision for deferred taxes

Deferred taxation provided was as follows. There was no unprovided deferred tax in either year.

	2002 £'000
Deferred tax provision at the start of the year	203
Deferred tax credit in profit and loss account for period	(50)
Deferred tax provision at the end of the year	<u>153</u>

	2002 £'000	2001 £'000
Accelerated capital allowances	<u>153</u>	<u>203</u>
Deferred taxation provision	<u>153</u>	<u>203</u>

12 Called-up share capital

	2002 £'000	2001 £'000
<i>Authorised, allotted, called-up and fully paid</i>		
65,780 Ordinary shares of £1 each	<u>66</u>	<u>66</u>

13 Profit and loss account

	Profit and loss account £'000
At beginning of year	(699)
Profit for the financial year	<u>126</u>
At end of year	<u>(573)</u>

14 Reconciliation of movements in equity shareholder's deficit

	2002 £'000	2001 £'000
Retained profit (loss) for the year	126	20
Opening equity shareholder's deficit	<u>(633)</u>	<u>(653)</u>
Closing equity shareholder's deficit	<u>(507)</u>	<u>(633)</u>

Notes to the financial statements (continued)

15 Guarantees and other financial commitments

a) Lease commitments

The company leased certain land and buildings on short and long-term operating leases. The annual rent on these leases was £4,300 (2001 £nil). The amounts payable under these leases were subject to renegotiation at various intervals specified in the leases. The company paid all insurance, maintenance and repairs of these properties.

b) Capital commitments

At year end the company had no capital commitments (2001 - £nil).

c) Pension arrangements

Calgon Europe Limited, together with a number of other companies in the Ondeo Nalco Group, participate in a defined benefit pension scheme called the Nalco Limited Pension Scheme. This scheme is funded by the payment of contributions to a separately administered trust fund.

The contributions to the Ondeo Nalco Limited Pension Scheme are assessed with the advice of an independent qualified actuary using the projected unit funding method.

Details of the group scheme, including the disclosures required by FRS 17, are given in the financial statements of Ondeo Nalco Limited. The cost of contributions to the group scheme amounted to £6,000 during 2002 and are based on pension costs across the group as a whole.

16 Ultimate parent company

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

Suez SA is the parent company of the smallest and largest group of which the company is a member and for which group financial statements are drawn up. Copies of the financial statements are available from Financial Communications, 1 Rue d'Asterg, 75008, Paris, France.

Notes to the financial statements (continued)

17 Related party transactions

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

18 Net liabilities

Under section 123 of the Insolvency Act 1986 a creditor of the company could petition for it to be wound up on the grounds that it has net liabilities of £507,000 (2001 £633,000). However, in the opinion of the directors no adjustments are required to the financial statements which have been drawn up on a going concern basis because the parent company, Suez SA, has undertaken to provide such financial support as is necessary to enable Calgon Europe Limited to meet its liabilities as they fall due.

19 Cash flow statement

No cash flow statement has been prepared in accordance with FRS 1(Revised) 1996 as the financial statements of Suez SA, the ultimate parent company, include a consolidated cash flow statement which include the company's cash flows.

20 Post balance sheet event

Ondeo Nalco Limited became the registered holder of the entire share capital of the company on 2 July 2003.