Culligan International (UK) Limited

Report and Financial Statements

31 December 2004

Registered number: 1386074

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COMPANIES HOUSE 21/07/05

Culligan International (UK) Limited
Company information

Registered office:	Culligan House The Gateway Centre Coronation Road High Wycombe Buckinghamshire HP12 3SU
Directors:	Mr SJ Boyd Mr JN Wicks Mr S Sperring Mr BC Airey Mr C Olivier
Company Secretary:	Mr JN Wicks
Bankers:	HSBC Bank plc 17 Church Street Sheffield S1 1HH
Auditors:	KPMG LLP Aquis Court 31 Fishpool Street St Albans AL3 4RF

Directors' report

For the year ended 31 December 2004

The directors present their annual report and audited financial statements for the year ended 31 December 2004.

Principal activities and business review

The principal activities of the company are the sale and distribution of water purification and the sale and distribution of bottled water equipment from a number of branches in the UK.

The performance of the company in 2004 was acceptable and in line with the Directors focus of consolidation following previous years acquisitions and divestitures. The business focused on improving margins and using resources more effectively.

In May 2004, the company transferred in, at net book value, the trade, assets and liabilities of its wholly owned subsidiary, The Classic Water Company Limited, for a consideration of £913,000.

Results and dividends

The profit before tax for the year ended 31 December 2004 was £1,752,000 (2003: £1,407,000). The retained profit for the year ended 31 December 2004 was £1,315,000 (2003: £1,288,000).

The directors do not recommend the payment of a dividend (2003: £nil).

Employee involvement

The company attaches considerable importance to keeping its employees informed on matters regarding the performance and prospects of the business and is committed to a policy of involvement for all members of staff. Employees are encouraged to present their suggestions and views.

Disabled employees

The company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person.

Where existing employees become disabled, it is company policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

Directors and their interests

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

S.J. Boyd
J.N. Wicks
S.T. Sperring
B.C. Airey
C. Olivier

Those directors serving at the end of the year held no share capital, or options to acquire shares, in this company at any time during the year or in any other group companies requiring disclosure under the Companies Act 1985.

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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and group and to prevent and detect fraud and other irregularities.

Auditors

The company has adopted an elective regime and has dispensed with the requirement under s386 of the Companies Act 1985 to appoint auditors annually. KPMG LLP are deemed to be reappointed.

Culligan House
The Gateway Centre
Coronation Road
High Wycombe
Bucks
HP12 3SU

By order of the Board

JN Wicks
Secretary
15 July 2005

KPMG

Report of the independent auditors to the members of Culligan International (UK) Limited.

We have audited the financial statements on pages 5 to 24.

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 auditor's 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

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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.

Basis of audit 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 the company's affairs as at 31 December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP 19/7/05

KPMG LLP
Chartered Accountants
Registered Auditor
Aquis Court
31 Fishpool Street
St Albans AL3 4RF

Profit and loss account
For the year ended 31 December 2004

	Notes	31 December 2004	31 December 2003 Restated
		£000	£000
Turnover:	2		
Continuing operations		21,239	20,625
Acquired operations		685	-
		21,924	20,625
Cost of sales		(9,577)	(8,980)
Gross profit		12,347	11,645
Distribution costs		(4,518)	(4,594)
Administrative costs		(5,925)	(5,686)
Operating profit	3		
Continuing operations		1,727	1,365
Acquired operations		177	-
Profit on ordinary activities before interest and taxation		1,904	1,365
Interest receivable	6	527	407
Interest payable and similar charges	7	(679)	(365)
Profit on ordinary activities before taxation		1,752	1,407
Taxation on profit on ordinary activities	8	(437)	(119)
Retained profit for the year		1,315	1,288

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

Statement of total recognised gains and losses
For the year ended 31 December 2004

Statement of total recognised gains and losses
For the year ended 31 December 2004

	31 December 2004 £000	31 December 2003 £000
Profit/(loss) for the financial year	1,315	1,288
(Loss) on foreign currency translation of branch	(72)	(99)
Total recognised gains and losses since last annual report and financial statements	1,243	1,189

The accompanying notes are an integral part of this statement of total recognised gains and losses.

Balance sheet
31 December 2004

	Notes	31 December 2004 £000	31 December 2003 £000
Fixed assets			
Intangible assets	9	1,729	1,594
Tangible assets	10	3,442	4,067
Investments	11	20,211	20,211
		25,382	25,872
Current assets			
Stocks	12	2,795	2,653
Debtors			
- within one year	13	6,526	7,471
- after one year	13	2,435	2,054
Cash at bank and in hand		3,102	739
		14,858	12,917
Creditors: amounts falling due within one year	14	(13,133)	(8,865)
Net current assets		1,725	4,052
Total assets less current liabilities		27,107	29,924
Creditors: amounts falling due after more than one year	15	(6,894)	(10,954)
Net assets		20,213	18,970
Capital and reserves			
Called-up share capital	17	68	68
Share premium account	18	11,146	11,146
Profit and loss account	18	8,999	7,756
Equity shareholder's funds	19	20,213	18,970

These financial statements were approved by the board of directors on 15 July 2005 and were signed on its behalf by:

SJ Boyd
Director

....

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

1 Accounting policies

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

a) Basis of preparation

The financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards.

The company has taken advantage of the exemption in FRS 1 "Cash flow statements" and has not produced a cash flow statement as it is a wholly owned subsidiary undertaking of Culligan Finance Corporation BV, whose consolidated financial statements include a consolidated cash flow statement and are publicly available.

Under section 228 of the Companies Act 1985, the company is exempt from the requirement to prepare consolidated financial statements because it is a wholly owned subsidiary of Culligan Finance Corporation BV which prepares consolidated financial statements which are publicly available. These financial statements present information about the company as an individual undertaking and not about the group.

b) Profit and loss account restatement

The profit and loss account groups costs according to the type of activity to which they relate. Cost of sales includes costs incurred in the procurement of materials, labour costs associated with production, materials and labour costs incurred in servicing equipment previously sold to customers, together with associated overhead costs linked to these activities. Distribution costs include all expenses associated with selling and transporting goods to the customer.

The 2003 profit and loss account has been restated as:

i) servicing costs of £402,000 previously included in administrative costs have been re-classified to cost of sales and

ii) selling expenses of £867,000 previously included in administrative costs have now been re-classified to distribution costs.

c) Fixed assets and depreciation

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold land	-	not depreciated
Freehold buildings	-	25 – 40 years
Leasehold improvements	-	over life of lease
Motor vehicles	-	4 years
Fixtures, fittings, tools and equipment	-	3 – 10 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

1 Accounting policies (continued)

d) Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on transaction are included in the profit and loss account.

e) Leases

Tangible fixed assets include assets operated by the company under finance leases where the company has substantially all the risks and rewards of ownership of the assets. Correspondingly, creditors shown in the balance sheet include the commitment for the capital element of future lease payments. The finance element of lease payments is charged to the profit and loss account over the term of the lease contract.

All other leases are treated as operating leases and payments are charged to the profit and loss account on a straight line basis over the life of the lease, even if the payments are not made on such a basis.

f) Pension costs

The company has no ongoing funding liability towards the defined benefit scheme (see note 21). Therefore no asset or liability is recognised in the balance sheet and costs charged to the profit and loss account reflect contributions paid into the scheme only. Company contributions to the defined benefit scheme ceased on 1 October 2004. The company operates a defined contribution scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The amounts charged to the profit and loss account represent the contributions payable to the scheme in respect of the accounting period.

g) Stocks

Stocks are stated at the lower of cost, on a weighted average basis, and net realisable value. Cost includes freight and duty where applicable. 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.

1 Accounting policies (continued)

h) Taxation

Current tax, including UK corporation tax and foreign 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 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 a right to pay less tax.

Deferred tax assets are recognised only to the extent that the directors consider it more likely than not that there will be suitable taxable profits from which the future reversal of 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 timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

i) Intangible assets - goodwill

Goodwill is the difference between the cost of an acquired entity and the aggregate of the fair value of that entity's identifiable assets and liabilities.

Positive goodwill is capitalised, classified as an asset on the balance sheet and amortised on a straight basis over its useful economic life, which is estimated to be twenty years. It is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

j) Investments

Fixed asset investments are shown at cost less provision for impairment. The directors reassess the need for further provisions for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable.

2 Turnover

Turnover is stated net of trade discounts, Value Added Tax and other taxes. The turnover for the year is attributable to two activities, the sale and distribution of bottled water and water purification equipment. Turnover is recognised on delivery of bottled water and water purification equipment. Revenue from the rental of water coolers, is recognised over the term of the agreement. Analysis of turnover by geographical market for these two activities is as follows:

Continuing operations	31 December 2004 £000	31 December 2003 £000
a) Bottled water		
United Kingdom	8,334	7,540
b) Water purification equipment		
United Kingdom	13,263	12,606
Other European Union	235	167
Rest of World	92	312
	13,590	13,085
Total turnover	*21,924*	*20,625*

Included within turnover for 2004 is £685,000 related to The Classic Water Company Limited, which was acquired during the year. The cost of sales, distribution costs and administrative expenses were £138,000, £193,000 and £222,000 respectively.

3 Operating profit

Operating profit is stated after charging:

	31 December 2004 £000	31 December 2003 £000
Auditors' remuneration – statutory UK audit	48	55
Other amounts paid to auditor	36	-
Depreciation of owned tangible fixed assets	1,125	1,135
Amortisation of goodwill	125	104
Loss on disposal of fixed assets	37	-
Operating lease rentals and hire charges:		
- property	609	580
- equipment	859	781

4 Directors' emoluments

	31 December 2004 £000	31 December 2003 £000
Directors' emoluments	429	352
Contributions to defined benefit pension scheme	42	56
Contributions to defined contribution pension scheme	4	-
	475	408

The number of directors to whom retirement benefits are accruing under personal pension plans to which the company has contributed is 4 (31 December 2003: 3) and defined benefit pension schemes is 4 (31 December 2003: 4).

4 Directors' emoluments (continued)

Highest paid director

The above amounts for directors' emoluments include the following in respect of the highest paid director:

	31 December 2004 £000	31 December 2003 £000
Emoluments	209	151
Contributions to defined benefit pension scheme	21	26
Contributions to defined contribution pension scheme	2	-
	232	177

The accrued pension entitlement under the company's defined benefit scheme of the highest paid director at 31 December 2004 was £10,000 (31 December 2003: £8,000).

5 Staff numbers and costs

The average monthly number of employees (including directors) during the year was:

	Number of employees	
	31 December 2004	31 December 2003
Production	37	39
Sales and service	191	199
Administration	64	65
	292	303

Their aggregate remuneration was:

	31 December 2004 £000	31 December 2003 £000
Wages and salaries	5,751	5,974
Social security costs	521	499
Other pension costs (note 21)	229	276
	6,501	6,749

6 Interest receivable

	31 December 2004 £000	31 December 2003 £000
Bank interest	500	291
Group undertakings	27	116
	527	407

7 Interest payable and similar charges

	31 December 2004 £000	31 December 2003 £000
Bank loans and overdrafts	(679)	(365)

8 Tax on profit on ordinary activities

	31 December 2004 £000	31 December 2003 £000
UK Corporation tax at 30% (2003 – 30%)	(573)	(296)
Adjustment in respect of prior year UK Corporation tax	(245)	177
Current tax	(818)	(119)
Deferred tax:		
Accelerated capital allowances	253	-
Other timing differences	128	-
Total deferred tax	381	-
Tax on profit on ordinary activities	(437)	(119)

The tax assessed on the profit on ordinary activities for the year is higher (2003: lower) than the standard rate of corporation tax. The differences are reconciled below:

	2004 £000	2003 £000
Profit on ordinary activities before taxation	1,752	1,407
Tax on profit on ordinary activities multiplied by the standard rate (30%)	526	422
Expenses not deductible for tax purposes	104	82
Capital allowances in excess of depreciation	(71)	(79)
Other timing differences	14	(55)
Adjustments in respect of previous periods	245	(177)
Effect of tax losses purchased from group undertaking	-	(74)
Current tax charge	818	119

9 Intangible fixed assets

	Goodwill £000
Cost	
At 1 January 2004	1,984
Transferred from subsidiary	260
At 31 December 2004	2,244
Amortisation	
At 1 January 2004	390
Charge for the year	125
At 31 December 2004	515
Net book value	
At 31 December 2004	1,729
At 31 December 2003	1,594

10 Tangible fixed assets

	Freehold land and buildings £000	Short leasehold improvements £000	Motor vehicles £000	Fixtures, fittings, tools and equipment £000	Total £000
Cost					
At 1 January 2004	1,395	462	342	4,963	7,162
Additions	1	-	4	285	290
Transferred from subsidiary	-	-	33	227	260
Disposals	-	-	(151)	(161)	(312)
Other adjustment	229	11	-	(55)	185
At 31 December 2004	1,625	473	228	5,259	7,585
Depreciation					
At 1 January 2004	92	127	270	2,606	3,095
Charge for period	46	64	42	973	1,125
Disposals	-	-	(151)	(111)	(262)
Other adjustment	70	6	9	100	185
At 31 December 2004	208	197	170	3,568	4,143
Net book value					
At 31 December 2004	1,417	276	58	1,691	3,442
At 31 December 2003	1,303	335	72	2,357	4,067

The other adjustments relate to corrections to balances that had been incorrectly categorised in prior periods. These adjustments have no impact upon the profit in the current year or preceding periods.

11 Fixed asset investments

	31 December 2004 £000	31 December 2003 £000
Subsidiary undertakings	19,741	19,741
Other investments and loans	470	470
	20,211	20,211

The company has investments in the following subsidiary undertakings:

Subsidiary undertaking	Country of incorporation	Principal activity	Class of shares	Percentage of shares held
Waterside Plc	England and Wales	Non-trading	Ordinary	100%
Aqua-Dial Limited*	England and Wales	Non-trading	Ordinary	100%
Orderclear Limited	England and Wales	Holding company of *Aqua-Dial Limited*	Ordinary	100%
M&E Water Limited	England and Wales	Non-trading	Ordinary	100%
Culligan London Limited	England and Wales	Non-trading	Ordinary	100%
Culligan Anglia Limited	England and Wales	Non-trading	Ordinary	100%
Watercool Limited**	England and Wales	Non-trading	Ordinary	100%
Liff Industries Limited	England and Wales	Non-trading	Ordinary	100%
Liff Industries (Southern) Limited***	England and Wales	Non-trading	Ordinary	100%
Liff Manufacturing Limited***	England and Wales	Non-trading	Ordinary	100%
The Classic Water Company Limited	England and Wales	Non-trading	Ordinary	100%

* *Indirect holding via Orderclear Limited*

** Indirect holding via Culligan London Limited

*** Indirect holding via Liff Holdings Limited

11 Fixed asset investments (continued)

	Shares in group undertakings £000	Other investments other than loans £000	Total £000
Cost			
At 1 January 2004 and 31 December 2004	25,163	2,424	27,587
Amounts written off			
At 1 January 2004 and 31 December 2004	5,422	1,954	7,376
Net book value			
At 1 January 2004 and 31 December 2004	19,741	470	20,211

12 Stocks

	31 December 2004 £000	31 December 2003 £000
Finished goods and goods for resale	2,795	2,653

13 Debtors

	31 December 2004 £000	31 December 2003 £000
Amounts falling due within one year:		
Trade debtors	3,789	4,442
Amounts owed by group undertakings	2,254	2,659
Other debtors	66	135
Prepayments and accrued income	417	235
	6,526	7,471
Amounts falling due after one year:		
Amounts owed by group undertakings	1,402	1,402
Deferred taxation	1,033	652
	2,435	2,054

Amounts owed by group undertakings have no fixed repayment date and are non-interest bearing.

14 Creditors: amounts falling due within one year

	31 December 2004 £000	31 December 2003 £000
Bank loans and overdrafts	-	100
Trade creditors	1,882	1,026
Amounts owed to group undertakings	142	5,619
Other creditors:		
- other taxes and social security	496	393
- other creditors	8,150	73
Corporation tax	330	-
Accruals and deferred income	2,133	1,654
	13,133	8,865

15 Creditors: amounts falling due after more than one year

	31 December 2004 £000	31 December 2003 £000
Bank loans	-	173
Amounts payable to group undertakings	6,894	10,781
	6,894	10,954

Amounts owed to group undertakings have no fixed repayment date and are non-interest bearing.

Bank loans due after more than one year are repayable as follows:

	31 December 2004 £000	31 December 2003 £000
Between one and two years	-	100
Between two and five years	-	73
	-	173

Bank loans were secured by a parent company guarantee.

16 Provision for liabilities and charges

The amounts recognised for deferred taxation assets/(liabilities) and the amounts not recognised are set out below:

	31 December 2004		31 December 2003	
	Recognised £000	Unrecognised £000	Recognised £000	Unrecognised £000
Difference between accumulated depreciation and capital allowances	667	-	414	54
Other timing differences	366	-	238	145
	1,033	-	652	199

17 Called-up share capital

	31 December 2004 £	31 December 2003 £
Authorised		
Equity: 200,000 (2003 – 200,000) ordinary shares of £1 each	200,000	200,000
Allotted, called-up and fully paid		
Equity: 68,184 (2003 – 68,184) ordinary shares of £1 each	68,184	68,184

18 Reserves

	Share premium account £000	Profit and loss account £000
At 1 January 2004	11,146	7,756
Retained profit for the year	-	1,315
Other recognised losses relating to currency translation of branch	-	(72)
At 31 December 2004	11,146	8,999

19 Reconciliation of movements in shareholder's funds

	31 December 2004 £000	31 December 2003 £000
Profit for the financial period	1,315	1,288
Other recognised losses relating to currency translation	(72)	(99)
Net addition to shareholder's funds	1,243	1,189
Opening shareholder's funds	18,970	17,781
Closing shareholder's funds	20,213	18,970

20 Commitments

a) There were no capital commitments at the end of the financial year (2003: £Nil).

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

	31 December 2004		31 December 2003	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire:				
- within one year	-	76	-	45
- between two and five years	155	517	90	585
- over five years	478	1	478	-
	633	594	568	630

21 Pension commitments

During the year the company provided pensions and related benefits through the VWS Division of the Veolia UK *Pension Plan (VUKPP), a multi-employer scheme.*

The company's contributions to the scheme ceased when Veolia Environnement SA divested its interest in the company on 1 October 2004. Members' benefits as at 30 September 2004 remain frozen within the scheme. The Sale Agreement provides that all funding obligations remain with Veolia Environnement SA. During the year contributions of £135,000 were made by the company. There was no related accrual or prepayment in respect of company and employee contributions at the financial year end (2003: accrual £21,000).

Comparative information (2003 only)

During the year the company provided pensions and related benefits through two Divisions of the Veolia UK Pension Plan (VUKPP) (formerly Vivendi UK Pension Plan). From 1 January until 13 November 2003 pension provision was made via the Vivendi Water Systems Division of the VUKPP. This was a multi employer scheme. As part of a restructuring of the VUKPP, on 13 November 2003 all active members, deferred members and pensioners in the Vivendi Water Systems Division of the plan who are or were employed by Culligan International (UK) Limited transferred to the OTVB Division of the VUKPP. On the same date the OTVB Division was renamed VWS Division.

Contributions to the VUKPP for the year were £190,000 (2002: £186,000). These were based on actuarial advice following the most recent valuation of the fund. Other companies in the group still contribute to this fund. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent actuarial valuation was at 31 December 2000.

The most recent actuarial valuation showed that the market value of the assets of the UK scheme was £42,168,000 and the actuarial value of the assets was sufficient to cover 102% of the benefits that had accrued to members after allowing for future increases in earnings at 2% per annum.

21 Pension commitments (continued)

Additional disclosures regarding the company's defined benefit scheme are required under the transitional provisions of FRS 17 "Retirement Benefits". The position of the fund as at 13 November 2003, being the first day that the scheme was subdivided is set out below. Information related to profit and loss disclosure under FRS 17 is not available prior to subdivision.

a) Veolia UK Pension Plan – Defined benefit

The company participates in a defined benefit plan, the VWS Final Salary Division of the Veolia UK Pension Plan. A full actuarial valuation was carried out at 31 December 2002 and updated to 31 December 2003 by a qualified independent actuary.

The major assumptions used by the actuary were (in nominal terms):

	31 December 2003
Rate of increase in salaries	3.60%
Rate of increase of pensions in payment	2.60%
Discount rate	5.40%
Inflation assumption	2.60%

The assets in the scheme and the expected rate of return were:

	31 December 2003	
		£000
Equities	7.60%	1,233
Bonds	5.40%	-
Gilts and cash	4.80%	308
Total market value of assets		1,541
Actuarial value of liability		(2,279)
Scheme deficit		(738)
Related deferred tax asset		221
Net pension liability		(517)

21 Pension commitments (continued)

a) Veolia UK Pension Plan – Defined benefit

Net assets in accordance with FRS17:

	31 December 2003 £000
Net assets excluding pension liability	19,006
Net pension liability	(517)
Net assets including pension liability	18,489

b) Veolia UK Pension Plan – Defined contribution

The company also participated in a defined contribution plan through the Veolia UK Pension Plan. During the year contributions to the scheme were £60,000 (2003: £86,000). There was no related accrual or prepayment in respect of company and employee contributions at the financial year end (2003: accrual £12,000).

c) Culligan UK Pension Plan – Defined contribution

From 1 October 2004 the company participated in this new defined contribution plan. Contributions to this scheme were £34,000 (2003: £Nil). The company had accrued £47,000 in respect of company and employee contributions to be paid into the scheme at the financial year end (2003: £nil).

22 Related party transactions

The company has taken advantage of the exemption contained in FRS 8 "Related Party Disclosures" not to disclose transactions or balances with entities which form part of the group as at 31 December 2004 (or investees of the group qualifying as related parties) because it is a wholly owned subsidiary and its results are included within consolidated financial statements which are available to the public.

22 Related party transactions (continued)

Material transactions with companies headed by Veolia Environnement SA, which was the company's parent until 30 September 2004 were as follows:

	30 September 2004		31 December 2003	
	Sales £000	Purchases £000	Sales £000	Purchases £000
Related party:				
Culligan International Inc	1	38	117	278
Culligan Italiana S.p.A.	-	-	100	122
Onyx Waste Management Limited	36	38	2	6
Veolia Water Systems Limited	5	7	72	47
Veolia Water UK PLC	-	-	5	25
Connex South Eastern Limited	56	-	63	-

23 Ultimate parent company

The immediate holding company is CDRC Acquisition UK Limited, incorporated in Great Britain and registered in England and Wales. The smallest group in which they are consolidated is that headed by Culligan Finance Corporation BV. Copies of the financial statements of this group are available from De Boelelaan 7, 1083 HJ Amsterdam, Netherlands.

The ultimate holding company and controlling party is CDRC Holding S.ar.l., a company incorporated in Luxembourg. CDRC Holding S.ar.l heads the largest group in which the results of the company are consolidated. Copies of the financial statements of CDRC Holding S.ar.l. are available from 174 Route de Longwy, L-1940, Luxembourg.