

Culligan International (UK) Limited

Financial statements for the year ended 31 December 2002
together with directors' and auditors' reports

Registered number: 1386074



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Directors' report

For the year ended 31 December 2002

The directors present their annual report and audited financial statements for the year ended 31 December 2002.

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 branches in the UK.

On 23 July 2002 the company acquired the entire share capital of The Classic Water Company Limited, a company engaged in the sale and distribution of bottled water.

On 1 July 2002 the company transferred its filter manufacturing business to one of its subsidiaries, AFL Filtration Limited (formerly Ametek Filters Limited) for a consideration equal to the net book value of the net assets transferred.

AFL Filtration Limited was sold on 1 October 2002 to an unrelated party for a consideration of £1,921,000. This sale realised a loss of £6,588,000.

On 1 April 2002 Company transferred its branch located in The United Arab Emirates to a related company, Culligan Emirates LLC for a consideration of £681,000, equal to the net book value of the assets transferred.

Results and dividends

The loss before tax for the year ended 31 December 2002 was £7,830,000 (2001 – profit £12,606,000). The retained loss for the year ended 31 December 2002 was £7,654,000 (2001 – profit £12,528,000).

The directors do not recommend the payment of a dividend (2001 – £nil).

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 in this company at any time during the year or in any other group companies requiring disclosure under the Companies Act 1985.

Directors' report (continued)

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.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

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

By order of the Board



J.N. Wicks
Secretary

14 January 2004

Auditors' report

To the shareholder of Culligan International (UK) Limited:

We have audited the company's financial statements 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 22. These financial statements 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 financial statements in accordance with United Kingdom law and accounting standards. 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 audit opinion

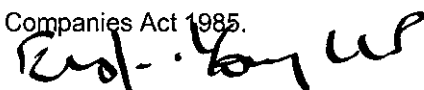
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates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

Auditors' report (continued)

Opinion

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



Ernst & Young LLP

Registered Auditor

Luton

Date 14 January 2004.

Profit and loss account
For the year ended 31 December 2002

	Notes	31 December 2002 £000	31 December 2001 £000
Turnover			
Existing operations		19,998	19,476
Acquisitions		-	2,157
Continuing operations	2	19,998	21,633
Discontinued operations		1,862	-
		21,860	21,633
Cost of sales		(12,448)	(12,381)
Gross profit		9,412	9,252
Distribution costs		(372)	(397)
Administrative costs:			
Ongoing		(10,637)	(7,220)
Exceptional items	4	-	10,886
Operating (loss)/profit			
Existing operations		(1,597)	12,561
Acquisitions		-	(40)
Continuing operations		(1,597)	12,521
Discontinued operations		119	-
		(1,478)	12,521
Exceptional items	4		
Continuing operations:			
Profit on sale of tangible fixed assets		234	24
Discontinued operations:			
Loss on disposal of operations		(6,588)	-
(Loss)/profit on ordinary activities before finance income and taxation		(7,832)	12,545
Finance income, net	6	2	61
(Loss)/profit on ordinary activities before taxation	3	(7,830)	12,606
Taxation on profit on ordinary activities	7	176	(78)
Retained (loss)/profit for the year		(7,654)	12,528

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 2002

Statement of total recognised gains and losses
For the year ended 31 December 2002

	31 December 2002 £000	31 December 2001 £000
(Loss)/profit for the financial year	(7,654)	12,528
(Loss)/gain on foreign currency translation of branch	<u>(91)</u>	<u>17</u>
Total recognised gains and losses since last annual report and financial statements	<u>(7,745)</u>	<u>12,545</u>

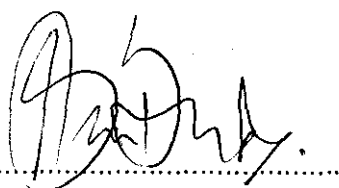
The accompanying notes are an integral part of this statement of total recognised gains and losses.

Balance sheet
31 December 2002

	Notes	31 December 2002 £000	31 December 2001 £000
Fixed assets			
Intangible assets	8	1,698	1,802
Tangible assets	9	4,591	5,417
Investments	10	20,149	24,621
		<u>26,438</u>	<u>31,840</u>
Current assets			
Stocks	11	2,285	2,994
Debtors			
- within one year	12	7,015	6,980
- after one year	12	2,054	1,402
Cash at bank and in hand		3,426	2,473
		<u>14,780</u>	<u>13,849</u>
Creditors: amounts falling due within one year	13	<u>(12,383)</u>	<u>(7,744)</u>
Net current assets		<u>2,397</u>	<u>6,105</u>
Total assets less current liabilities		28,835	37,945
Creditors: amounts falling due after more than one year	14	<u>(11,054)</u>	<u>(12,419)</u>
Net assets		<u>17,781</u>	<u>25,526</u>
Capital and reserves			
Called-up share capital	16	68	68
Share premium account	17	11,146	11,146
Profit and loss account	17	6,567	14,312
Equity shareholder's funds	18	<u>17,781</u>	<u>25,526</u>

These financial statements were approved by the board of directors on 14 January 2004 and were signed on its behalf by:

SJ Boyd
Director



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

Notes to the financial statements

For the year ended 31 December 2002

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 (Revised) "Cash flow statements" and has not produced a cash flow statement as it is a wholly owned subsidiary undertaking of Veolia Environnement SA, 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 USF Holdings (UK) Limited which prepares consolidated financial statements which are publicly available.

b) 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:

Leasehold improvements	-	over life of lease
Motor vehicles	-	4 years
Fixtures, fittings, tools and equipment	-	3 – 10 years

c) 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. Exchange differences relating to the retranslation of foreign branches are taken directly to reserves.

d) 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.

Notes to the financial statements (continued)

1 Accounting policies (continued)

e) Pension costs

For defined benefit schemes 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.

f) 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.

g) 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.

h) Acquisition of businesses

Acquisitions of businesses are accounted for under the acquisition method. Assets and liabilities acquired are brought into the balance sheet at their fair value on the date of the acquisition.

i) Intangible assets - goodwill

Goodwill arising on the acquisition of trade, assets and liabilities of entities 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 estimated to be 20 years. Provision is made for impairment.

j) Investments

Fixed asset investments are shown at cost less provision for impairment. The directors reassess the need for further provisions for impairment or the write-back of prior periods' impairments, at each year end.

Notes to the financial statements (continued)

2 Turnover

The turnover for the year is attributable to two activities, the sale and distribution of bottled water and water purification equipment. Analysis of turnover by geographical market for these two activities is as follows:

	31 December 2002			31 December 2001		
	Continuing operations £000	Discontinued operations £000	Total £000	Continuing operations £000	Discontinued operations £000	Total £000
a) Bottled water						
United Kingdom	6,743		6,743	5,832	-	5,832
b) Water purification equipment						
United Kingdom	12,730	502	13,232	11,089	-	11,089
Other European Union	435	639	1,074	1,859	-	1,859
United Arab Emirates	90	467	557	1,503	-	1,503
Rest of World	-	254	254	1,320	-	1,320
	13,255	1,862	15,117	15,801	-	15,801
Total turnover	19,998	1,862	21,860	21,633	-	21,633

3 Profit on ordinary activities before taxation

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

	31 December 2002 £000	31 December 2001 £000
Auditors' remuneration for audit services	74	104
Depreciation of owned tangible fixed assets	975	807
Amortisation of goodwill	104	104
Operating lease rentals and hire charges:		
- property	676	401
- equipment	778	582

Notes to the financial statements (continued)

4 Exceptional items

	31 December 2002 £000	31 December 2001 £000
Recognised within operating profit		
Loans waived by group companies	-	18,262
Loan to subsidiary undertakings written off	-	(5,181)
Write down in value of investment in group undertaking	-	(2,195)
	<u>-</u>	<u>10,886</u>
Recognised below operating profit		
Loss on disposal of AFL Filtration Limited	(6,588)	-
Profit on disposal of fixed assets	234	24
	<u>(6,354)-</u>	<u>24</u>

5 Remuneration of directors

	31 December 2002 £000	31 December 2001 £000
Directors' emoluments	326	344
Contributions to defined benefit pension scheme	54	48
	<u>380</u>	<u>392</u>

The number of directors to whom retirement benefits are accruing under personal pension plans to which the company has contributed is 3 (31 December 2001 – 3) and defined benefit pension schemes is 4 (31 December 2001 – 4).

Highest paid director

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

	31 December 2002 £000	31 December 2001 £000
Emoluments and long-term incentives	141	159
Contributions to defined benefit pension scheme	26	25
	<u>167</u>	<u>184</u>

The accrued pension entitlement under the company's defined benefit scheme of the highest paid director at 31 December 2002 was £6,000 (31 December 2001 – £4,000).

Notes to the financial statements (continued)

Staff numbers and costs

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

	Number of employees	
	31 December 2002	31 December 2001
Production	82	105
Sales and service	194	183
Administration	69	64
	<u>345</u>	<u>352</u>

Their aggregate remuneration was:

	31 December 2002 £000	31 December 2001 £000
Wages and salaries	6,057	5,923
Social security costs	521	502
Other pension costs (note 20)	280	227
	<u>6,858</u>	<u>6,652</u>

Notes to the financial statements (continued)

6 Finance income (net)

Investment income

	31 December 2002 £000	31 December 2001 £000
Bank interest	90	131
Other interest	60	5
	<u>150</u>	<u>136</u>

Interest payable and similar charges

	31 December 2002 £000	31 December 2001 £000
Bank charges	-	3
Bank loans and overdrafts	131	52
Interest payable to group undertakings	13	14
Finance lease interest	4	6
	<u>148</u>	<u>75</u>

Investment income	150	136
Less: interest payable and similar charges	(148)	(75)
	<u>2</u>	<u>61</u>

Notes to the financial statements (continued)

7 Tax on profit on ordinary activities

	31 December 2002 £000	31 December 2001 £000
UK Corporation tax at 30% (2001 – 30%)	(271)	(351)
Adjustment in respect of prior year UK Corporation tax	(205)	273
Current tax	<u>(476)</u>	<u>(78)</u>
Deferred tax:		
Accelerated capital allowances	414	-
Other timing differences	238	-
Total deferred tax	<u>652</u>	<u>-</u>
Tax on profit on ordinary activities	<u>176</u>	<u>(78)</u>

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax.

The differences are reconciled below:

	2002 £000	2001 £000
(Loss)/profit on ordinary activities	<u>(7,830)</u>	<u>12,606</u>
Tax on profit on ordinary activities multiplied by the standard rate (30%)	(2,349)	3,782
Loss on disposal of AFL Filtration Limited not allowable for tax purposes	1,976	-
Expenses not deductible for tax purposes	451	69
Decelerated/(accelerated) capital allowances	270	(55)
Profit on sale of fixed assets not assessable	(70)	(7)
Chargeable gain on disposal of properties	57	-
Tax under/(over)provided in previous years	205	(273)
Effect of tax losses purchased from group undertaking	(64)	(88)
Investment write offs not deductible	-	659
Loans waived not assessable	-	(5479)
Loans written off not deductible	-	1,554
Other	-	(84)
Current tax charge	<u>476</u>	<u>78</u>

Notes to the financial statements (continued)

8 Intangible fixed assets

Goodwill
£000

Cost

At 1 January 2001 1,984

Additions -

At 31 December 2001 1,984

Amortisation

At 1 January 2001 182

Charge for the year 104

At 31 December 2001 286

Net book value

At 31 December 2002 1,698

At 31 December 2001 1,802

9 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 2002	1,608	390	470	4,343	6,811
Additions	160	49	82	1,279	1,570
Disposals	(390)	-	(69)	(1,154)	(1,613)
Other adjustment	-	-	(113)	(81)	(194)
At 31 December 2002	1,378	439	370	4,387	6,574
Depreciation					
At 1 January 2002	34	17	281	1,062	1,394
Charge for period	30	41	34	870	975
Disposals	(19)	-	(62)	(305)	(386)
At 31 December 2002	45	58	253	1,627	1,983
Net book value					
At 31 December 2002	1,333	381	117	2,760	4,591
At 31 December 2001	1,574	373	189	3,281	5,417

Notes to the financial statements (continued)

10 Fixed asset investments

	31 December 2002 £000	31 December 2001 £000
Subsidiary undertakings	19,741	24,590
Other investments and loans	408	31
	<u>20,149</u>	<u>24,621</u>

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%
Ametek Filters Limited	England and Wales	Non-trading	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	Distribution and sale of bottled water	Ordinary	100%

* Indirect holding via Orderclear Limited

** Indirect holding via Culligan London Limited

*** Indirect holding via Liff Holdings Limited

The company purchased 100% of the issued share capital of The Classic Water Company Limited on 23 July 2003 for consideration of £3,300,000 of which £330,000 has been paid into an escrow account and is yet to be paid to the vendor.

The company sold its entire shareholding in AFL Filtration Limited (formerly Ametek Filters Limited) on 1 October 2002 for a consideration of £1,921,000. The company subscribed for a further £290,000 of shares in AFL Filtration prior to its disposal.

Notes to the financial statements (continued)

10 Fixed asset investments (continued)

	Shares in group undertakings £000	Other investments other than loans £000	Total £000
Cost			
At 1 January 2002	30,012	1,985	31,997
Additions	3,605	377	3,982
Disposals	(8,454)	-	(8,454)
At 31 December 2002	<u>25,163</u>	<u>2,362</u>	<u>27,525</u>
Amounts written off			
At 1 January 2002 and 31 December 2002	<u>5,422</u>	<u>1,954</u>	<u>7,376</u>
Net book value			
At 31 December 2002	<u>19,741</u>	<u>408</u>	<u>20,149</u>
At 31 December 2001	<u>24,590</u>	<u>31</u>	<u>24,621</u>

11 Stocks

	31 December 2002 £000	31 December 2001 £000
Finished goods and goods for resale	<u>2,285</u>	<u>2,994</u>

Notes to the financial statements (continued)

12 Debtors

	31 December 2002 £000	31 December 2001 £000
<i>Amounts falling due within one year:</i>		
Trade debtors	3,775	4,667
Amounts owed by group undertakings	2,716	971
Other debtors	155	962
Prepayments and accrued income	369	380
	<u>7,015</u>	<u>6,980</u>
<i>Amounts falling due after one year:</i>		
Amounts owed by group undertakings	1,402	1,402
Deferred taxation	652	-
	<u>2,054</u>	<u>1,402</u>

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

13 Creditors: amounts falling due within one year

	31 December 2002 £000	31 December 2001 £000
Obligations under finance leases	12	24
Bank loans and overdrafts	2,944	1,231
Trade creditors	1,537	1,773
Amounts owed to group undertakings	5,278	1,487
Other creditors:		
- other taxes and social security	402	184
- other creditors	208	265
Corporation tax	205	123
Accruals and deferred income	1,797	2,657
	<u>12,383</u>	<u>7,744</u>

Notes to the financial statements (continued)

14 Creditors: amounts falling due after more than one year

	31 December 2002 £000	31 December 2001 £000
Bank loans	273	374
Amounts payable to group undertakings	10,781	12,045
	<u>11,054</u>	<u>12,419</u>

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 2002 £000	31 December 2001 £000
Between one and two years	100	100
Between two and five years	173	267
After five years	-	7
	<u>273</u>	<u>374</u>

Bank loans are secured by a parent company guarantee

15 Provision for liabilities and charges

The amounts provided for deferred taxation and the amounts not provided are set out below:

	31 December 2002		31 December 2001	
	Provided £000	Unprovided £000	Provided £000	Unprovided £000
Difference between accumulated depreciation and capital allowances	-	-	-	(276)
Unutilised losses	652	-	-	-
Other timing differences	-	-	-	43
	<u>652</u>	<u>-</u>	<u>-</u>	<u>(233)</u>

16 Called-up share capital

	31 December 2002 £	31 December 2001 £
<i>Authorised</i>		
200,000 (2000 – 200,000) ordinary shares of £1 each	<u>200,000</u>	<u>200,000</u>
<i>Allotted, called-up and fully paid</i>		
68,184 (2000 – 68,184) ordinary shares of £1 each	<u>68,184</u>	<u>68,184</u>

Notes to the financial statements (continued)

17 Reserves

	Share premium account £000	Profit and loss account £000
At 1 January 2002	11,146	14,312
Retained loss for the year	-	(7,654)
Other recognised losses relating to currency translation of branch	-	(91)
At 31 December 2002	<u>11,146</u>	<u>6,567</u>

18 Reconciliation of movements in shareholder's funds

	31 December 2002 £000	31 December 2001 £000
(Loss)/profit for the financial period	(7,654)	12,528
Other recognised losses relating to currency translation	(91)	17
Net (deduction)/addition to shareholder's funds	<u>(7,745)</u>	<u>12,545</u>
Opening shareholder's funds	<u>25,526</u>	<u>12,981</u>
Closing shareholder's funds	<u>17,781</u>	<u>25,526</u>

19 Commitments

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

	31 December 2002		31 December 2001	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire:				
- within one year	-	74	46	43
- between two and five years	46	574	140	377
- over five years	519	-	360	-
	<u>565</u>	<u>648</u>	<u>546</u>	<u>420</u>

20 Pension commitments

On 1 April 2000 the company joined the Veolia UK Pension Plan, a funded defined-benefit scheme ("the VWS Scheme"). A new division of the Veolia UK Pension Plan was set up for the company. Prior to the 1 April 2000 the company made contributions to certain employees' personal pension accounts in accordance with their employment contracts.

Contributions to the Veolia UK Pension Plan for the year were £280,101 (2001 – £227,265). These are based upon actuarial advice following the most recent valuation of this fund. Other companies in the group contribute to the fund.

Notes to the financial statements (continued)

20 Pension commitments (continued)

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 expected future increases in earnings at 2% per annum.

Additional disclosures regarding the company's defined benefit pension scheme are required under the transitional provisions of FRS17 "Retirement Benefits" and these are set out below.

FRS17 disclosure

The Company provides a defined benefit scheme through a division of the VWS Scheme. The VWS Scheme is a multi-employer scheme for which it is not possible to split any surplus or deficit between the various contributing companies in a reliable and consistent manner. As Veolia Water Systems Limited is the main contributor to the VWS Scheme, details of the overall FRS17 funding position of the VWS Scheme are provided in the financial statement for Veolia Water Systems Limited.

Contributions over the 12 month period ending 31 December 2002 were paid as follows:

	% Pensionable Pay
Company	15.5
Members	6.5

An increase in the employer contribution rate to 16.5% of Pensionable Pay has been agreed for the period beginning 1 January 2004. The FRS17 funding position of the VWS Scheme as at 31 December 2002 has no implications for this agreed employer contribution rate.

The contribution requirement is derived using the projected unit method.

21 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 (or investees of the group qualifying as related parties) because it is a wholly owned subsidiary of Veolia Environnement SA and its results are included within Veolia Environnement SA's consolidated financial statements which are available to the public.

Notes to the financial statements (continued)

22 Ultimate parent company

The immediate holding company is USF Holding (UK) Limited, incorporated in Great Britain and registered in England and Wales. The smallest group in which they are consolidated is that headed by USF Holdings (UK) Limited. Copies of the financial statements of this group are available from Springbank House, High Street, Lane End, High Wycombe, Bucks, HP14 3JH.

The ultimate holding company is Veolia Environnement SA, a company incorporated in France. The largest group in which the results of the company are consolidated is that headed by Veolia Environnement S.A.. Copies of the financial statements of Veolia Environnement S.A., are available from 36 Avenue Kléber, 75116 Paris, France.