

Registration No: 2155681

H T HUGHES PLC
REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 1998



H T HUGHES PLC

Annual report and financial statements for the year ended 31 December 1998

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Directors	E Dupont - Madinier JM Kutner
Secretary	JM Kutner
Registered office	Onyx House 401 Mile End Road London E3 4PB
Auditors	Robson Rhodes 186 City Road London EC1V 2NU

H T HUGHES PLC

Report of the directors for the year ended 31 December 1998

The directors present their report together with the audited financial statements for the year ended 31 December 1998.

Principal activities, trading review and future developments

The principal activities of the company are environmental services including collection, treatment, recycling, and disposal of waste materials. The directors consider that the profit for the year, and the year end financial position, were satisfactory. The directors expect that the present level of activity will be sustained for the foreseeable future.

Dividends

The directors do not recommend the payment of a dividend (1997: £ nil).

Directors

The directors who held office during the year under review were:

E Dupont-Madinier
JM Kutner

None of the directors has any interest in the shares of the company, or the shares of any other company within the Onyx Environmental Group.

Auditors

During the year Coopers & Lybrand resigned as auditors and Robson Rhodes were appointed in their place. Robson Rhodes have expressed their willingness to continue in office and a resolution to reappoint them will be proposed at the Annual General Meeting.

Year 2000

The board receives regular reports from the group's internal millenium committee concerning progress in planning for the continued functioning of all group software and hardware. All major customers and suppliers have been contacted in relation to their own preparations for the year 2000 date change and, so far, the directors are satisfied that despite the uncertainties implicit in the problem, key software and hardware will be able to handle the date change.

The cost to the company of compliant software and hardware will be absorbed as it arises.

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Report of the directors for the year ended 31 December 1998 (continued)

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 as at the end of the financial year 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;

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 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.

By order of the Board



JM Kutner
Secretary
5 May 1999.

H T HUGHES PLC

Report of the Auditors for the year ended 31 December 1998

REPORT OF THE AUDITORS TO THE SHAREHOLDERS OF H T HUGHES PLC

We have audited the financial statements on pages 4 to 13.

Respective responsibilities of directors and Auditors

As described on page 2 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 the company's affairs at 31 December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Robson Rhodes
Chartered Accountants and
Registered Auditor
London

5 May 1999.

H T HUGHES PLC

Profit and loss account for the year ended 31 December 1998

	Note	Continuing operations 1998 £'000	Continuing operations 1997 £'000	Discontinued operations 1997 £'000	Total 1997 £'000
Turnover	2	4,144	2,659	4,743	7,402
Cost of sales		(2,659)	(3,488)	(4,216)	(7,704)
Gross profit/(loss)		<u>1,485</u>	<u>(829)</u>	<u>527</u>	<u>(302)</u>
Administrative and selling expenses		(224)	(256)	(432)	(688)
Operating profit/(loss)	3	<u>1,261</u>	<u>(1,085)</u>	<u>95</u>	<u>(990)</u>
Tax on profit/(loss) on ordinary activities		539	(97)	-	(97)
Retained profit/(loss) for the financial year		<u>722</u>	<u>(1,182)</u>	<u>95</u>	<u>(1,087)</u>
Statement of accumulated (losses)		£'000			£'000
Accumulated losses brought forward		(2,123)			(1,036)
Retained profit/(loss) for the financial year		722			(1,087)
Accumulated losses carried forward		<u>(1,401)</u>			<u>(2,123)</u>

The reconciliation of movements in shareholders' funds is set out in note 14.


There is no difference between the profit on ordinary activities before taxation and the retained profit for the year above, and their historical cost equivalents.

H T HUGHES PLC

Balance sheet at 31 December 1998

	Note	1998 £'000	1997 £'000
Fixed assets			
Tangible assets	7	6,588	7,320
Investments	8	-	-
		<u>6,588</u>	<u>7,320</u>
Current assets			
Stocks: work in progress		278	-
Debtors	9	11,459	9,795
Creditors: amounts falling due within one year	10	5,178	4,590
Net current assets		<u>6,559</u>	<u>5,205</u>
Total assets less current liabilities		<u>13,147</u>	<u>12,525</u>
Provision for liabilities and charges	11	470	570
Net assets		<u>12,677</u>	<u>11,955</u>
Capital and reserves			
Called up share capital	12	2,571	2,571
Share premium account	13	8,573	8,573
Revaluation reserve	13	2,872	2,872
Other reserves	13	62	62
Profit and loss account		(1,401)	(2,123)
Equity shareholders' funds	14	<u>12,677</u>	<u>11,955</u>

The financial statements on pages 4 to 13 were approved by the Board of Directors on 5 May 1999 and were signed on its behalf by:


 JIM Kutner
 Director

H T HUGHES PLC

Notes to the financial statements for the year ended 31 December 1998

1 Accounting policies

Basis of accounting

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom under the historical cost convention.

Turnover

This comprises the invoice values for sale of goods and services including sales of mineral sites and landfill sites no longer required by the company, including landfill tax but excluding value added tax.

Fixed assets – landfill sites

Freehold and leasehold landfill sites are depreciated in proportion to the capacity used up in each accounting period. Expenditure on creating additional capacity is carried forward to be written off over the period during which the capacity is used up. Full provision is made for site restoration and aftercare where it is anticipated that expenditure will be required at the end of the life of the site.

Fixed assets – other than landfill sites

Freehold land is not depreciated. Freehold buildings are depreciated by equal instalments over 50 years. Leasehold land and buildings are depreciated over the life of the lease.

Other fixed assets are depreciated by equal instalments over the following periods, plant and equipment: between 3 and 20 years, motor vehicles: between 3 and 5 years. The charge commences with the asset being brought into use.

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes.

Provision for deferred taxation is made under the liability method only to the extent that it is probable that the liability will become payable in the foreseeable future.

Hire of plant and equipment

This comprises the cost of hiring for long term use in the business of the company. Short term hire recharged to customers is not included.

Leases and hire purchase

Assets held under finance leases and hire purchase contracts are integrated with owned tangible fixed assets and the obligations relating thereto, excluding finance charges, are included in creditors. Costs in respect of operating leases are charged in arriving at the operating result.

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Notes to the financial statements for the year ended 31 December 1998

1 Accounting policies (continued)

Cash flow statement

Under Financial Reporting Statement 1 (revised) the company is exempt from the requirement to prepare a cash flow statement as it is a wholly owned subsidiary of Vivendi S.A. whose financial statements are publicly available.

Related party transactions

The company has taken advantage of the exemption available under paragraph 3(c) of Financial Reporting Standard 8, not to disclose intra-group transactions.

2 Turnover

The company's turnover has arisen entirely within the United Kingdom.

3 Operating profit/(loss)

	1998 £'000	1997 £'000
This is arrived at after charging:		
Depreciation of tangible assets	477	340
Hire of plant and machinery including operating leases	195	442
	<u> </u>	<u> </u>

The auditors' remuneration for the year has been borne by another group undertaking (1997: £ nil).

In addition the operating profit/(loss) on continuing operations for the year is after charging exceptional costs of sales of:

	1998 £'000	1997 £'000
Site restoration costs	156	507
Provision for aftercare (note 11(b))	31	100
Deficit on revaluation	-	1,287
	<u> </u>	<u> </u>

4 Directors' emoluments

The directors received no emoluments during the period in respect of their services as directors of the company (1997: £ nil).

H T HUGHES PLC**Notes to the financial statements for the year ended 31 December 1998****5 Employees**

	1998	1997
	No	No
The average weekly number of employees, including directors, during the year was:		
Environmental services	8	75
	<u> </u>	<u> </u>
	1998	1997
	£'000	£'000
Employee costs including directors:		
Wage and salaries	153	799
Social security costs	14	74
Pension costs	7	24
	<u> 174 </u>	<u> 897 </u>
	<u> </u>	<u> </u>

6 Tax on profit/(loss) on ordinary activities

	1998	1997
	£'000	£'000
United Kingdom		
Corporation tax at 31% (1997:31%)		
Current year	539	2
Deferred taxation	-	95
	<u> 539 </u>	<u> 97 </u>
	<u> </u>	<u> </u>

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Notes to the financial statements for the year ended 31 December 1998

7 Tangible fixed assets

	Freehold land and buildings £'000	Long leasehold land and buildings £'000	Total £'000
Cost or valuation			
At 31 December 1997	6,484	1,099	7,583
Additions	8	-	8
Disposals	(400)	-	(400)
At 31 December 1998	<u>6,092</u>	<u>1,099</u>	<u>7,191</u>
Depreciation			
At 31 December 1997	235	28	263
Charge for year	470	7	477
Disposals	(137)	-	(137)
At 31 December 1998	<u>568</u>	<u>35</u>	<u>603</u>
Net book value			
At 31 December 1998	<u>5,524</u>	<u>1,064</u>	<u>6,588</u>
At 31 December 1997	<u>6,249</u>	<u>1,071</u>	<u>7,320</u>

The company's landfill sites were revalued by the directors at 31 December 1997.

If the freehold land and buildings had not been revalued they would have been included at the following amounts:

	1998 £'000	1997 £'000
Cost	8,097	7,351
Aggregate depreciation based on cost	(3,433)	(2,961)
	<u>4,664</u>	<u>4,390</u>

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Notes to the financial statements for the year ended 31 December 1998

8 Investment

	1998 £	1997 £
Cost		
Investment in group undertaking	2	2

The investment in the wholly owned subsidiary, Summerdown Limited, is valued at cost. The principal activity of Summerdown Limited is landfill operation.

Summerdown Limited was incorporated and registered in England and Wales.

The company has taken advantage of the available exemption allowing it not to prepare group financial statements as it is a wholly owned subsidiary of another body corporate, incorporated in the EC.

9 Debtors

	1998 £'000	1997 £'000
Amounts falling due within one year		
Amounts owed by group undertakings	11,459	9,746
Corporation tax	-	49
	<u>11,459</u>	<u>9,795</u>

10 Creditors: amounts falling due within one year

	1998 £'000	1997 £'000
Amounts owed to group undertakings	4,088	4,083
Corporation tax	488	-
Accruals and deferred income	602	507
	<u>5,178</u>	<u>4,590</u>

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Notes to the financial statements for the year ended 31 December 1998

11 Provisions for liabilities and charges

	1998	1997
	£'000	£'000
Deferred taxation (see (a) below)	470	470
Provision for aftercare costs on landfill sites (see (b) below)	-	100
	<u>470</u>	<u>570</u>

(a) analysis of provisions made and total potential liability:

	1998		1997
	Total	Amount	Total
	potential	provided	potential
	liability		liability
	£'000	£'000	£'000
Accelerated capital allowances and other timing differences	603	470	603
	<u>603</u>	<u>470</u>	<u>603</u>

(b) Movement on the provision for aftercare costs on landfill sites is set out below:

	£'000
At 1 January 1998	100
Provision reclassified as accrual	(100)
At 31 December 1998	<u>-</u>

12 Share capital

	1998	1997
	£'000	£'000
Authorised		
33,000,000 ordinary shares of 10p each	3,300	3,300
Allotted and fully paid		
25,708,560 ordinary shares of 10p each	<u>2,571</u>	<u>2,571</u>

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Notes to the financial statements for the year ended 31 December 1998

13 Reserves

	Revaluation reserve	Share premium account	Other reserves
	£'000	£'000	£'000
At 1 January 1998 and 31 December 1998	2,872	8,573	62

14 Reconciliation of movements in equity shareholders' funds

	1998 £'000	1997 £'000
Profit/(loss) for the year	722	(1,087)
Surplus on revaluation	-	2,872
Opening shareholders' funds	11,955	10,170
Closing shareholders' funds	12,677	11,955

15 Financial commitments

The company has financial commitments in respect of operating leases in the next year as follows:

	Plant and machinery		Land and buildings	
	1998 £'000	1997 £'000	1998 £'000	1997 £'000
On leases where the commitments expires				
- within one year	-	2	-	-
- between two and five years	63	67	-	-
- after more than five years	-	760	11	11
	63	829	11	11

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Notes to the financial statements for the year ended 31 December 1998

16 Pensions

The ultimate parent undertaking operates a pension scheme covering the majority of group employees. The ultimate parent undertaking charges each of its trading subsidiaries to cover the funding of the scheme. The charge is included in the employment costs disclosed in these financial statements. The scheme is funded by payments to trustee administered funds. The scheme is administered externally and is of the defined benefit type.

The pension charges in respect of the scheme are calculated by independent qualified actuaries in the intervening years. The valuation at 1 April 1996 confirmed that the scheme was adequately funded to meet its current and anticipated future pension liabilities. The most important assumptions were:

Assumed long-term rate of:

Investment returns	10.0%
Salary increases	7.5%
Dividend increases	5.0%

At the date of the actuarial valuation referred to above, the market value of the assets of the scheme was £9,893,000.

This was sufficient to cover 114% of the actual value of liabilities.

The next actuarial valuation will be as at 1 April 1998.

17 Ultimate parent and controlling company

The ultimate parent and controlling company is Vivendi S.A. (incorporated in France). Copies of the parent's consolidated financial statements may be obtained from the Secretary, 52 Rue d'Anjou, 75384 Paris Cedex 08. The company's ultimate UK holding company is Vivendi UK Limited (registered in England and Wales).