Calgon Europe Limited

Annual report and accounts

for the year ended 31 December 2000

Registered number: 224165

Directors and advisers

Directors

D. Peters	(resigned 9 May 2000)
R. Harding	(resigned 9 May 2000)
J.S. Smith	(appointed 9 May 2000)
J.M. Mozota Coloma	(appointed 9 May 2000)

Secretary

C.R. Lee

Registered office

P.O. Box 11
Winnington Avenue
Northwich
Cheshire
CW8 4DX

Auditors

Arthur Andersen
Bank House
9 Charlotte Street
Manchester
M1 4EU

Solicitors

Eversheds
London Scottish House
24 Mount Street
Manchester
M2 3DB

Bankers

Bank of America
26 Elmfield Road
Bromley
Kent
BR1 1WA

The directors present their annual report on the affairs of the company, together with the accounts and auditors' report for the year ended 31 December 2000.

Directors' responsibilities

Company law requires the directors to prepare accounts 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 accounts, 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 accounts; and
- prepare the accounts 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 accounts 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 seller of chemicals for water treatment and a manufacturer of dispersants used in the paper industry. The company also operates water purification systems installed at customers' premises.

On 1 June 2000 the distribution operations, assets and liabilities of Calgon Europe Limited were transferred to Nalco Limited.

On 31 December 2000 the entire share capital of Calgon Europe Limited was transferred to Nalco Europe BV.

Results and dividends

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

	£'000
Retained loss at 1 January 2000	(131)
Retained loss for the year	(588)
Retained loss at 31 December 2000	(719)

The directors do not recommend the payment of a dividend.

Directors and their interests

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

None of the directors held any beneficial interest in the shares of the company.

Auditors

During the year Arthur Andersen were appointed as auditors. The directors will place a resolution before the annual general meeting to re-appoint Arthur Andersen as auditors for the ensuing year.

By order of the Board,

James Smith

J. Smith
Director

18 October 2001

Auditors' report

To the Shareholders of Calgon Europe Limited:

We have audited the accounts on pages 5 to 14 which have been prepared under the historical cost convention and the accounting policies set out on pages 7 and 8.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of the accounts 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.

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 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 circumstances of the company, 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.

Opinion

In our opinion the accounts give a true and fair view of the company's state of affairs at 31 December 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen

Arthur Andersen
Chartered Accountants and Registered Auditors

Bank House
9 Charlotte Street
Manchester
M1 4EU

18 October 2001

Profit and loss account

For the year ended 31 December 2000

	Notes	2000 £'000	1999 £'000 (note 1a)
Turnover		3,811	8,369
Cost of sales		(2,656)	(4,478)
Gross profit		1,155	3,891
Selling and distribution costs		(450)	36
Administrative expenses		(823)	(4,302)
Other operating income		81	-
Operating loss		(37)	(375)
Interest receivable	2	141	-
Interest payable	3	(601)	(171)
Loss on ordinary activities before tax	4	(497)	(546)
Taxation	6	(91)	46
Loss for the financial year	14	(588)	(500)

The company has no recognised gains or losses other than the retained profit for the year. All activity arose from discontinued operations.

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

Balance sheet

31 December 2000

	Notes	2000 £'000	1999 £'000 (note 1a)
Fixed assets			
Tangible assets	7	2,176	3,691
Current assets			
Stock	8	-	751
Debtors	9	3,487	2,107
Cash at bank and in hand		45	947
		3,532	3,805
Creditors: Amounts falling due within one year	10	(247)	(7,217)
Net current assets		3,285	(3,412)
Total assets less current liabilities		5,461	279
Creditors: Amounts falling due after more than one year	11	(5,793)	-
Provisions for liabilities and charges	12	(321)	(344)
Net liabilities	18	(653)	(65)
Capital and reserves			
Called-up share capital	13	66	66
Profit and loss account	14	(719)	(131)
Equity shareholders' deficit	15	(653)	(65)

Signed on behalf of the Board

James Smith

J. Smith
Director

18 October 2001

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

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) Prior year comparatives

Prior year numbers were audited by a firm other than Arthur Andersen.

b) Basis of accounting

The accounts are prepared under the historical cost convention. Assets and liabilities are recognised in the accounts 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 accounts 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 Lyonnaise des Eaux SA which prepares consolidated accounts which are publicly available.

The accounts 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 accounts. The accounts do not include any adjustments that might be necessary if the financial support was not forthcoming.

c) 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.

d) Pension costs

The company is part of the 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.

1 Accounting policies (continued)

e) Turnover

Turnover comprises sales commissions and manufacturing fees received from Nalco Europe BV (excluding VAT and similar taxes, trade discounts and intra-group transactions) in the normal course of business.

f) 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 form 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.

As regards overseas subsidiary and associated undertakings for the purpose of consolidation and application of the equity method of accounting, the closing rate net investment method is used, under which translation gains or losses are shown as a movement on other reserves. Profit and loss accounts are translated at the average exchange rates for the period.

g) 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.

Provision is made for deferred taxation, principally accelerated taxation allowances on UK capital expenditure, only to the extent that it is expected to crystallise in the foreseeable future. No provision has been made for deferred tax on earnings retained overseas, as there is no intention to remit any such earnings giving rise to a tax charge in the foreseeable future.

No provision has been made in respect of deferred taxation on the difference between the tax value and the carrying value of revalued property as there is no intention to dispose of it in the foreseeable future.

h) Leased assets

Lease payments in respect of operating leases are charged to the profit and loss account as incurred. Assets held under finance leases are capitalised and depreciated over the shorter of their useful economic life and the lease term. Liabilities are shown in creditors and interest is allocated to periods based on the amount outstanding in that period.

i) Investments

Investments in subsidiary and associated undertakings are stated at cost, in their local currency, less provisions for permanent diminution in values. Differences on retranslation of investment balances are taken to reserves.

2 Interest receivable

	2000 £'000	1999 £'000
On loans to group undertakings	141	-

3 Interest payable

	2000 £'000	1999 £'000
On loans from group undertakings	277	159
Bank loans, overdraft and other loans	324	12
	601	171

4 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging:

	2000 £'000	1999 £'000
Depreciation and amortisation of tangible fixed assets	2,022	913
Auditors' remuneration	15	3
Operating lease rentals		
- plant and machinery	34	128
- other	15	54

The fees payable by the Company to its auditors for non-audit services amounted to £7,000 (1999 - £nil).

5 Staff costs

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

	2000 Number	1999 Number
Administration and production	5	34

Their aggregate remuneration comprised:

	2000 £'000	1999 £'000
Wages and salaries	477	1,156
Social security costs	52	124
Other pension costs	48	-
	577	1,280

5 Staff costs (continued)

	2000 £'000	1999 £'000
Directors		
Emoluments of directors (excluding pension contributions) for services as directors	-	70

No director (1999 – one) has retirement benefits accruing in the group defined benefit scheme.

6 Taxation on loss on ordinary activities

	2000 £'000	1999 £'000
UK corporation tax	-	-
Deferred taxation	23	46
Adjustment in respect of prior years		
- UK corporation tax	(114)	-
	(91)	46

7 Tangible fixed assets

The movement in the year was as follows:

	Leasehold property £'000	Plant and machinery £'000	Total £'000
Cost			
Beginning of year	237	6,793	7,030
Additions	-	602	602
Disposals	(237)	(141)	(378)
End of year	-	7,254	7,254
Depreciation			
Beginning of year	184	3,155	3,339
Charge for the year	-	2,022	2,022
Disposals	(184)	(99)	(283)
End of year	-	5,078	5,078
Net book value			
Beginning of year	53	3,638	3,691
End of year	-	2,176	2,176

8 Stocks

	2000 £'000	1999 £'000
Raw materials and consumables	-	188
Finished goods	-	563
	-	751

9 Debtors

Amounts falling due within one year:

	2000 £'000	1999 £'000
Trade debtors	-	2,006
Amounts owed by fellow group undertakings	3,203	-
UK corporation tax recoverable	27	-
Other debtors	-	37
Prepayments and accrued income	257	64
	3,487	2,107

10 Creditors: Amounts falling due within one year

	2000 £'000	1999 £'000
Bank overdraft	2	-
Trade creditors	54	963
Amounts owed to fellow group undertakings	17	5,926
Other taxation and social security	30	19
Other creditors	-	309
Accruals and deferred income	144	-
	247	7,217

11 Creditors: Amounts falling due after more than one year

	2000 £'000	1999 £'000
Amounts owed to fellow group undertakings	5,793	-

12 Provisions for liabilities and charges

Deferred taxation provided and deferred taxation not provided are as follows:

	Provided		Not provided	
	2000	1999	2000	1999
	£	£	£	£
Accelerated capital allowances	321	344	-	-

13 Called-up share capital

	2000	1999
	£'000	£'000
Authorised, allotted, called-up and fully paid		
65,790 Ordinary shares of £1 each	66	66

14 Profit and loss account

	Profit and loss account
	£'000
At beginning of year	(131)
Loss for the financial year	(588)
At end of year	(719)

15 Reconciliation of movements in equity shareholder's deficit

	2000	1999
	£'000	£'000
Retained loss for the year	(588)	(500)
Opening equity shareholders' (deficit) funds	(65)	435
Closing equity shareholders' deficit	(653)	(65)

16 Guarantees and other financial commitments

a) Lease commitments

The company leases certain land and buildings on short and long-term operating leases. The annual rent on these leases was £34,000 (1999 - £54,000). The amounts payable under these leases are subject to renegotiation at various intervals specified in the leases. The company pays all insurance, maintenance and repairs of these properties.

The minimum annual rentals under the foregoing leases are:

	Motor vehicles, plant and machinery		Property	
	2000	1999	2000	1999
	£000	£000	£000	£000
Operating leases which expire				
- within 1 year	-	-	-	-
- in 1 to 5 years	-	128	-	54
- after 5 years	-	-	-	-
	-	128	-	54

b) Capital commitments

At year end the company had no capital commitments (1999 - £nil).

c) Pension arrangements

On 1 April 2000 the Calgon employees left the ECC group pension scheme as deferred pensioners and became new members of the Nalco Limited Pension Scheme at nil cost.

Prior to this date the employees pensions were under the ECC group pension scheme. Calgon Europe Limited incurred no cost prior to 1 April 2000.

Calgon Europe Limited, together with a number of other companies in the 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 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 are given in the financial statements of Nalco Limited. The cost of contributions to the group scheme amount to £14,325 and are based on pension costs across the group as a whole.

17 Ultimate parent company

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

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

18 Related party transactions

As a subsidiary undertaking of Suez Lynonnaise des Eaux 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 Lyonnaise des Eau SA.

19 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 £653,000. However, in the opinion of the directors no adjustments are required to the accounts which have been drawn up on a going concern basis because the parent company, Suez Lyonnaise des Eaux SA, has undertaken to provide such financial support as is necessary to enable Calgon Europe Limited to meet its liabilities as they fall due.

20 Cash flow statement

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