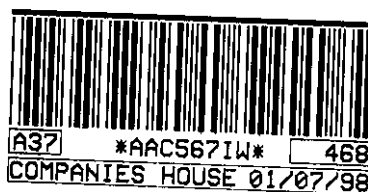


STANTON BONNA CONCRETE LIMITED
(Company Number: 2263795)

DIRECTORS' REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 1997



STANTON BONNA CONCRETE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1997

The Directors present their report and audited financial statements of the Company for the year ended 31 December 1997.

PRINCIPAL ACTIVITIES

The principal activity of the Company is the manufacture and supply of concrete pipes, other concrete products and glass reinforced plastic pipes.

REVIEW OF THE BUSINESS

The Company turnover for the year increased to £14.8 million (1996 : £11.2 million) and the profit after tax was £986,000 (1996 : £221,000).

RESULTS AND DIVIDENDS

The Directors do not propose the payment of a dividend.

The profit for the year after taxation of £986,000 (1996: £221,000) will be transferred to reserves.

DIRECTORS

The Directors who served during the year are as follows:

G J Nicholls
M E E Rivard
D R H Pommeret
F C Leblanc
M Barthet

None of the Directors had a material interest in any contract to which the Company was a party.

DIRECTORS' INTERESTS

The Directors of the Company had the following interests of the share capital of Compagnie Générale Des Eaux, the ultimate parent undertaking.

	1997 Number of shares	1996 Number of shares
G J Nicholls	-	-
M E E Rivard	557	557
D R H Pommeret	115	54
F C Leblanc	-	-
M Barthet	-	-

D R H Pommeret also holds 230 (1996: 230) shares in Sateba, a fellow group undertaking.

CHARITABLE DONATIONS

The Company made charitable donations of £825 (1996 : £500) during the year.

STANTON BONNA CONCRETE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1997

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;
- 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 to 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.

AUDITORS

A resolution concerning the re-appointment of Price Waterhouse as auditors, and authorising the Directors to fix their remuneration, will be proposed at the Annual General Meeting.

By Order of the Board



B WILSON
Secretary

27 April 1998

Registered Number: 2263795

Registered Office:

Littlewell Lane
Stanton-by-Dale
Ilkeston
DERBYSHIRE
DE7 4QW

Price Waterhouse



AUDITORS' REPORT TO THE MEMBERS OF STANTON BONNA CONCRETE LIMITED

We have audited the financial statements on pages 4 to 18 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 8 and 9.

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 as at 31 December 1997 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PRICE WATERHOUSE
Chartered Accountants
and Registered Auditors

27 April 1998

STANTON BONNA CONCRETE LIMITED

**PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 DECEMBER 1997**

	<u>1997</u> £'000	<u>1996</u> £'000
TURNOVER (Note 1(2))	14,849	11,182
Cost of sales	<u>(11,150)</u>	<u>(8,633)</u>
GROSS PROFIT	3,699	2,549
Distribution costs	(1,832)	(1,531)
Administration expenses	<u>(653)</u>	<u>(589)</u>
OPERATING PROFIT BEFORE INTEREST	1,214	429
Interest (Note 2)	<u>(188)</u>	<u>(208)</u>
PROFIT BEFORE TAXATION (Note 3)	1,026	221
Taxation (Note 12)	<u>(40)</u>	<u>-</u>
PROFIT AFTER TAXATION (Note 13)	<u>986</u>	<u>221</u>

The above results all arose from continuing operations.

The notes set out on pages 8 to 18 form part of these financial statements.

STANTON BONNA CONCRETE LIMITED

BALANCE SHEET - 31 DECEMBER 1997

	1997	1996
	£'000	£'000
FIXED ASSETS		
Tangible assets (Note 5)	4,510	4,549
CURRENT ASSETS		
Stocks (Note 6)	2,409	2,409
Debtors (Note 7)	2,625	1,696
Cash at bank and in hand	<u>2</u>	<u>2</u>
	5,036	4,107
CREDITORS - Amount falling due within one year (Note 8)	<u>(4,374)</u>	<u>(4,163)</u>
NET CURRENT ASSETS/(LIABILITIES)	<u>662</u>	<u>(56)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	5,172	4,493
CREDITORS - Amounts falling due after one year (Note 9)	(514)	(798)
Provisions for liabilities and charges (Note 10)	<u>(149)</u>	<u>(172)</u>
	4,509	3,523
CAPITAL AND RESERVES		
Called up share capital (Note 11)	3,334	3,334
Profit and loss account (Note 13)	530	(476)
Revaluation reserve (Note 13)	<u>645</u>	<u>665</u>
	4,509	3,523

APPROVED BY THE BOARD ON 27 APRIL 1998, AND SIGNED ON ITS BEHALF BY

Directors

The notes set out on pages 8 to 18 form part of these financial statements.

STANTON BONNA CONCRETE LIMITED

CASH FLOW STATEMENT YEAR ENDED 31 DECEMBER 1997

	<u>1997</u> £'000	<u>1996</u> £'000
Net cash inflow from operating activities (Note 17)	1,785	1,174
Returns on investments and servicing of finance (Note 18)	(189)	(181)
Capital expenditure (Note 18)	<u>(422)</u>	<u>(365)</u>
	1,174	628
Management of liquid resources (Note 18)	(746)	(496)
Financing (Note 18)	<u>(324)</u>	<u>(324)</u>
Increase/(decrease) in cash (Note 19)	<u>104</u>	<u>(192)</u>

The notes set out on pages 8 to 18 form part of these financial statements.

STANTON BONNA CONCRETE LIMITED**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES****YEAR ENDED 31 DECEMBER 1997**

	<u>1997</u> £'000	<u>1996</u> £'000
Profit for the financial year and total recognised gains and losses for the year	986	221

NOTE OF HISTORICAL COST PROFIT

Reported profit on ordinary activities before taxation	1,026	221
Difference between the historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	<u>20</u>	<u>23</u>
Historical cost profit for the year before taxation	1,046	244
Historical cost profit for the year after taxation	<u>1,006</u>	<u>244</u>

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

Profit for the financial year	986	221
Opening shareholders' funds	<u>3,523</u>	<u>3,302</u>
Closing shareholders' funds	<u>4,509</u>	<u>3,523</u>

STANTON BONNA CONCRETE LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1997

1 ACCOUNTING POLICIES

(1) Basis of accounting

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings. They have been prepared in accordance with applicable accounting and financial reporting standards.

(2) Turnover

Turnover represents sales to external customers at delivered prices. An analysis of turnover between markets is not provided as, in the opinion of the Directors, disclosures of such information would not be in the interests of the Company.

(3) Tangible fixed assets

Land and buildings are stated at valuation less depreciation. Other tangible fixed assets are shown at cost less accumulated depreciation, including assets held under finance leases which have been capitalised.

(4) Depreciation

Freehold land is not depreciated. Other tangible fixed assets are depreciated on a straight line basis, over their estimated useful lives as follows:

Freehold buildings	15 - 25 years
Major manufacturing equipment	5 - 25 years
Other plant and equipment	5 - 15 years
Office equipment	3 - 10 years
Mobile plant and motor vehicles	3 - 5 years
Loose plant, tools and moulds	2 - 5 years

(5) Research and development

Research and development expenditure is charged to revenue in the period in which it is incurred.

(6) Foreign currency

Foreign currency amounts are translated at the rate prevailing at the time of the transaction. Exchange differences are taken to the profit and loss account in the period in which they occur.

STANTON BONNA CONCRETE LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1997

1 ACCOUNTING POLICIES (CONTINUED)

(7) Stocks

Stocks and work in progress are stated at the lower of cost and net realisable value.

Cost represents the cost of materials and, in the case of manufacturing products, includes the cost of direct labour and production overheads based on normal levels of activity.

(8) Long term contracts

Long term contracts are accounted for in accordance with SSAP 9. Turnover is recorded on the basis of acceptance of goods by customers. Attributable profits are only taken into the profit and loss account when the outcome of the contract can be assessed with reasonable certainty.

(9) Pensions

The Company's employees are members of a defined benefit pension scheme. The regular pension cost is charged to profit and loss account so as to spread the expected pension costs over the service lives of the employees. Contributions to the scheme and regular costs are determined by a qualified actuary on the basis of triennial valuations using the projected unit method, taking into account the pension costs of the group as a whole. Variations from regular cost are assessed by the actuary and are spread over the expected remaining service lives of current employees in the scheme.

(10) Deferred taxation

Deferred corporation tax liabilities are provided in the accounts only insofar as an actual liability is likely to arise in the foreseeable future. Deferred tax assets are not recognised until realised.

(11) Leasing

Where tangible fixed assets are financed through leasing arrangements classified as finance leases, they are treated as if they had been purchased outright and the corresponding leasing liability is shown in creditors. Depreciation on leased assets is provided on the same basis as owned assets.

Leasing payments are treated as consisting of capital and interest elements and the interest is charged to the profit and loss account in the period in which it is incurred.

2 INTEREST

	<u>1997</u> £'000	<u>1996</u> £'000
Interest payable		
- other loans	2	10
- bank borrowings	114	115
Finance lease interest	<u>72</u>	<u>83</u>
	188	208
	<u> </u>	<u> </u>

STANTON BONNA CONCRETE LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1997

3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	<u>1997</u> £'000	<u>1996</u> £'000
The results are stated after charging:		
Depreciation	694	687
Auditors' remuneration		
- for audit services	8	7
- for non audit services	2	2
	<u> </u>	<u> </u>

4 DIRECTORS AND EMPLOYEES

Staff costs for the period comprise:

Wages and salaries	2,988	2,576
Social Security costs	243	208
Other pension costs	<u>223</u>	<u>200</u>
	3,454	2,984
	<u> </u>	<u> </u>

The Directors did not receive any emoluments from the Company for their services during the year.

	<u>1997</u> Number	<u>1996</u> Number
The average number of persons employed during the year excluding directors was:	161	145
	<u> </u>	<u> </u>

STANTON BONNA CONCRETE LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1997

5 TANGIBLE FIXED ASSETS

	Freehold land and buildings £'000	Plant, machinery, equipment and vehicles £'000	Total £'000
Cost or valuation			
At 1 January 1997	3,133	5,385	8,518
Additions	229	446	675
Disposals	-	(81)	(81)
At 31 December 1997	3,362	5,750	9,112
Depreciation			
At 1 January 1997	(506)	(3,463)	(3,969)
Charge for the year	(101)	(593)	(694)
Disposals	-	61	61
At 31 December 1997	(607)	(3,995)	(4,602)
Net book amount			
At 31 December 1997	2,755	1,755	4,510
At 31 December 1996	2,627	1,922	4,549

(1) Revaluation of land and buildings

The Company's freehold land and buildings were revalued at 31 December 1990. If the amount of these revalued assets, included in the accounts at a valuation of £2,400,000, had been determined in accordance with the historic cost accounting convention at 31 December 1997, they would have been included as:

	1997 £'000
Cost	1,649
Accumulated depreciation	(384)
Net book amount	1,265

(2) Leasing

The Company has capitalised fixed assets which are held under finance leases. The gross value of assets leased was £2,103,000 (1996: £2,103,000) and accumulated depreciation was £1,820,000 (1996: £1,616,000).

STANTON BONNA CONCRETE LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1997

6 STOCKS

	<u>1997</u> £'000	<u>1996</u> £'000
Raw materials and consumables	620	681
Work in progress	35	39
Finished products	<u>1,754</u>	<u>1,689</u>
	<u>2,409</u>	<u>2,409</u>

7 DEBTORS

	<u>1997</u> £'000	<u>1996</u> £'000
Trade debtors	2,294	1,407
Amounts owed by related companies	33	67
Other debtors	74	11
Prepayments and accrued income	<u>224</u>	<u>211</u>
	<u>2,625</u>	<u>1,696</u>

All the above debtors are recoverable within one year.

8 CREDITORS - Amounts falling due within one year

	<u>1997</u> £'000	<u>1996</u> £'000
Bank loans and overdrafts	957	1,872
Payments on account	231	-
Trade creditors	1,485	1,263
Amounts owed to related companies	300	371
Other creditors	78	28
Taxation and Social Security	202	32
Accruals and deferred income	872	373
Obligations under finance leases	<u>249</u>	<u>224</u>
	<u>4,374</u>	<u>4,163</u>

STANTON BONNA CONCRETE LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1997

9 CREDITORS - Amounts falling due after more than one year

	<u>1997</u> £'000	<u>1996</u> £'000
Other creditors (repayable within 5 years)		
- lease obligations	479	728
- other loans	<u>35</u>	<u>70</u>
	514	798

10 PROVISIONS FOR LIABILITIES AND CHARGES

	At 1 January <u>1997</u> £'000	<u>Utilised</u> £'000	Release for <u>year</u> £'000	At 31 December <u>1997</u> £'000
Redundancy and other rationalisation costs	139	-	-	139
Other provisions	<u>33</u>	<u>(14)</u>	<u>(9)</u>	<u>10</u>
	172	(14)	(9)	149

11 SHARE CAPITAL

	<u>1997</u> £'000	<u>1996</u> £'000
Ordinary share of £1 each:		
Authorised, allotted and fully paid	3,334	3,334

As at 31 December 1997, the Company is an 80% subsidiary of Société des Tuyaux Bonna. The remaining 20% of shares are held by Stanton plc.

STANTON BONNA CONCRETE LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1997

12 TAXATION

The corporation tax liability for the year comprised:

	<u>1997</u> £'000	<u>1996</u> £'000
UK Corporation Tax at 31.5%	40	-
	<u> </u>	<u> </u>

At 31 December 1997, there was a potential deferred tax asset of £111,000 (1996: £397,000) comprising:

	<u>1997</u> £'000	<u>1996</u> £'000
Accelerated capital allowances	(66)	(61)
Losses available for carry forward	-	258
Other timing differences	<u>177</u>	<u>200</u>
	111	397
	<u> </u>	<u> </u>

In accordance with the Company's accounting policies, deferred tax assets are not recognised until realised.

The Directors consider that it is not appropriate to recognise potential tax liabilities on revalued land and buildings.

13 RESERVES

	<u>Revaluation</u> <u>Reserve</u> £'000	<u>Profit and</u> <u>Loss account</u> £'000
Balance at 1 January 1997	665	(476)
Result of the year	-	986
Transfer	<u>(20)</u>	<u>20</u>
Balance at 31 December 1997	645	530
	<u> </u>	<u> </u>

14 CAPITAL COMMITMENTS

There were capital commitments contracted for at 31 December 1997 of £52,000 (1996: £Nil).

15 CONTINGENT LIABILITIES

At 31 December 1997 there were outstanding performance bonds of £762,000 (1996: £480,000).

STANTON BONNA CONCRETE LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1997

16 PENSION SCHEME

The majority of the Company employees are members of the Stanton Bonna Pension Plan. This is a defined benefit pension scheme which is funded by Stanton Bonna Concrete Limited and its employees. Contributions are made to a pension trust whose assets are held in a separate trustee administered fund. The contributions to the scheme are determined by a qualified actuary using the projected unit method. The most recent investigation was at 5 April 1997. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment returns would be 2.25% per annum in excess of salary increases and 4.25% per annum in excess of pension increases.

The most recent actuarial investigation showed that the actuarial valuation of the scheme's assets was £4,603,000 (market value - £5,070,000) and that the actuarial value of those assets represented 102% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The pension cost charged to the profit and loss account for the year was £223,000 (1996: £200,000).

17 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	<u>1997</u> £'000	<u>1996</u> £'000
Operating profit	1,214	429
Depreciation charge	694	687
Loss on disposal of fixed assets	12	-
(Increase) in stocks	-	(262)
(Increase)/decrease in debtors	(929)	649
Increase/(decrease) in creditors	817	(271)
(Decrease) in provisions	<u>(23)</u>	<u>(58)</u>
	1,785	1,174
	<u><u>1,785</u></u>	<u><u>1,174</u></u>

STANTON BONNA CONCRETE LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1997

18 GROSS CASH FLOWS

	<u>1997</u> £'000	<u>1996</u> £'000
Returns on investments and servicing of finance		
Interest paid	(189)	(181)
	<u> </u>	<u> </u>
Capital expenditure		
Payments to acquire tangible fixed assets	(431)	(365)
Receipts from sales of tangible fixed assets	<u>9</u>	<u>-</u>
	(422)	(365)
	<u> </u>	<u> </u>
Management of liquid resources		
Increase/(decrease) in short term deposits	(746)	(496)
	<u> </u>	<u> </u>
Financing		
Repayment of term loan	(65)	(87)
Repayment of related party loan	(35)	(35)
Capital element of finance lease rental payments	<u>(224)</u>	<u>(202)</u>
	(324)	(324)
	<u> </u>	<u> </u>

STANTON BONNA CONCRETE LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1997

19 ANALYSIS OF CHANGES IN NET DEBT

	At 1 January 1997 £'000	Cash flows £'000	Reclassification £'000	At 31 December 1997 £'000
Cash in hand	2	-	-	2
Overdrafts	<u>(1,061)</u>	<u>104</u>	<u>-</u>	<u>(957)</u>
	(1,059)	104	-	(955)
Debt due within one year	(846)	846	(35)	(35)
Debt due after one year	(70)	-	35	(35)
Finance leases	<u>(952)</u>	<u>224</u>	<u>-</u>	<u>(728)</u>
	(2,927)	1,174	-	(1,753)
	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>

20 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	1997 £'000	1997 £'000
Increase in cash in the period	104	
Cash used to reduce loans	846	
Cash used to pay finance lease capital	<u>224</u>	
Change in net debt		1,174
Net debt at 1 January 1997		<u>(2,927)</u>
Net debt at 31 December 1997		<u><u>(1,753)</u></u>

21 OPERATING LEASE PAYMENT COMMITMENTS

At the year end the Company was committed to making the following annual payments in respect of operating leases.

	1997 £'000	1996 £'000
Leases which expire within one year	17	10
Between one and five years	114	115
After five years	<u>-</u>	<u>-</u>
	131	125
	<u><u> </u></u>	<u><u> </u></u>

STANTON BONNA CONCRETE LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1997

22 PARENT UNDERTAKINGS AND OWNERSHIP

The Company is an 80 per cent subsidiary of Société des Tuyaux Bonna, the ultimate parent company is the Compagnie Générale Des Eaux, both companies are incorporated in France. The remaining 20 per cent of ordinary share capital is owned by Stanton plc.

23 RELATED PARTY TRANSACTIONS

During the year the Company traded with Stanton plc, an associated Company. Costs recharged from Stanton plc amounted to £1,255,000 (1996: £1,141,000) for payroll and £287,000 (1996: £332,000) in respect of utility and rental costs. A balance of £151,000 (1996: £162,000) was payable to Stanton plc at 31 December 1997.

In addition extended credit was given by Stanton plc on the purchase of land utilised by the company. The amount outstanding at 31 December 1997 is £70,000 (1996: £105,000), repayable in annual instalments of £35,000.

During the year the Company also traded with members of the Compagnie Générale Des Eaux Group. The transactions included purchase of plant and machinery £27,000 (1996: £81,000), hire of equipment £92,000 (1996: £88,000), recharges of research and development costs of £36,000 (1996: £61,000), royalties of £7,000 (1996: £6,000), and goods and services of £638,000 (1996: £266,000). At 31 December 1997 £109,000 (1996: £46,000) was payable to other group companies. Trade sales of £249,000 (1996: £173,000) were also made to other Compagnie Générale Des Eaux group companies during the year.