Stanton Bonna Concrete Limited

(Company Number: 2263795)

Directors' Report and Accounts

For The Year Ended 31 December 1999

The Directors present their report and audited financial statements of the Company for the year ended 31 December 1999.

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 and future developments

The Company turnover for the year decreased to £15.1 million *(1998: £18.4 million)*. The profit before taxation and dividends was £1,155,000 (1998: £2,183,000) and the profit after tax and dividend was £58,000 *(1998: £1,306,000)*. The reduction in turnover was anticipated by the Directors and product development is ongoing.

Results and Dividends

An interim dividend of £753,000 (22.58p per share net) *(1998: £200,000)* was paid during the year.

The profit for the year after taxation and dividends of £58,000 *(1998: £1,306,000)* 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
P Queru

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 Vivendi, the ultimate parent undertaking.

	1999 Number of shares	*1998 Number of shares*
G J Nicholls	-	-
M E E Rivard	-	-
D R H Pommeret	1,162	115
F C Leblanc	-	-
P Queru	-	-

D R H Pommeret also holds 230 *(1998: 230)* shares in Sateba, a fellow group undertaking. M E E Rivard also holds 16.8 shares in Bonna Sabla.

Charitable Donations

The Company made charitable donations of £540 *(1998: £1,545)* during the year.

Year 2000

All computer systems, PC's and other electronic chip based technology were reviewed, prior to the year end, by the Directors. Appropriate action was taken to ensure that existing and new systems were Year 2000 compliant and, as such, the company has experienced no disruption or malfunctions since the year end. The total cost to complete modifications was not material.

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 PricewaterhouseCoopers 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
18 April 2000

Registered Number
2263795

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Auditors' Report to the Members of
Stanton Bonna Concrete Limited

We have audited the financial statements on pages 4 to17.

Respective Responsibilities of Directors and Auditors

The directors are responsible for preparing the Directors Report and Accounts. As described on page 2, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and 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 United Kingdom Companies Act. 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 is not disclosed.

We read the other information contained in the Directors Report and Accounts and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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 1999 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
18 April 2000

Profit and Loss Account for the year ended 31 December 1999

	1999 £'000	1998 £'000
Turnover *(note 1)*	15,121	18,450
Cost of sales	(10,886)	(13,089)
Gross profit	4,235	5,361
Distribution costs	(2,209)	(2,257)
Administration expenses	(817)	(806)
Operating profit before interest	1,209	2,298
Interest *(note 2)*	(54)	(115)
Profit on ordinary activities before taxation *(note 3)*	1,155	2,183
Taxation *(note 14)*	(344)	(677)
Profit for the financial year	811	1,506
Dividend *(note 15)*	(753)	(200)
Retained profit for the financial year *(note 16)*	58	1,306

The above results all arose from continuing operations.

The company has no recognised gains and losses other than the profit above and therefore no separate statement of total recognised gains and losses has been presented.

Note of historical cost profits and losses for the year ended 31 December 1999

	1999 *£'000*	1998 £'000
Reported profit on ordinary activities before taxation	1,155	2,183
Difference between the historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	21	20
Historical cost profit for the year before taxation	1,176	2,203
Historical cost profit for the year retained after taxation and dividends	79	1,326

Reconciliation of movement in shareholders' funds

Profit for the financial year	58	1,306
Opening shareholders' funds	5,815	4,509
Closing shareholders' funds	5,873	5,815

	£'000	1999 £'000	£'000	1998 £'000
Fixed Assets				
Tangible assets *(note 6)*		4,678		4,527
Current Assets				
Stocks *(note 8)*	2,905		2,769	
Debtors *(note 9)*	2,222		3,349	
Cash at bank and in hand	4		264	
	5,131		6,382	
Creditors – Amount falling due within one year *(note 10)*		(3,831)		(4,748)
Net current assets		1,300		1,634
Total assets less current liabilities		5,978		6,161
Creditors – Amounts falling due after one year *(note 11)*		(52)		(202)
Provisions for liabilities and charges *(note 12)*		(53)		(144)
		5,873		5,815
Capital and Reserves				
Called up share capital *(note 13)*		3,334		3,334
Profit and loss account *(note 16)*		1,935		1,856
Revaluation reserve *(note 16)*		604		625
Equity shareholders' funds		5,873		5,815

Approved by the Board on 18 April 2000, and signed on its behalf by

Directors

The notes set out on pages 8 to 17 form part of these financial statements.

	1999 £'000	1998 £'000
Net cash inflow from operating activities *(note 19)*	1,665	2,061
Returns on investments and servicing of finance		
Interest paid	(54)	(115)
Taxation	(680)	(95)
Capital expenditure		
Purchase of tangible fixed assets	(832)	(643)
Equity dividends paid *(note 14)*	(753)	(200)
Net cash (outflow)/inflow before management of liquid resources and financing	(654)	1,008
Management of liquid resources		
Reduction/increase in short term deposits	(495)	495
Financing		
Repayment of related party loan	(35)	(35)
Capital element of finance lease payments	(277)	(249)
(Decrease)/increase in net cash (note 20)	(1,461)	1,219

The notes set out on pages 8 to 17 form part of these financial statements.

1 Accounting Policies

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.

Adoption of new accounting standards

FRS 12, 'Provisions, contingent liabilities and contingent assets', has been adopted in this year's financial statements.

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.

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.

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

Research and development

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

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.

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.

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.

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.

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.

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 payable*

	1999 £'000	1998 £'000
Interest payable		
- bank borrowings	22	53
- finance lease interest	32	62
	54	115

3 *Profit on Ordinary Activities Before Taxation*

	1999 £'000	1998 £'000
The results are stated after charging:		
Depreciation	669	625
Auditors' remuneration		
- for audit services	11	10
- for non audit services	7	2

4 *Employee information*

	1999 £'000	1998 £'000
Staff costs for the period comprise:		
Wages and salaries	3,715	3,564
Social Security costs	309	297
Other pension costs	295	284
	4,319	4,145

	1999 Number	1998 Number
The average number of persons employed during the year excluding directors was:	174	179

5 *Directors' emoluments*

	1999 £'000	*1998 £'000*
Aggregate emoluments	4	-

6 *Tangible Fixed Assets*

	Freehold land and buildings £'000	*Plant, machinery, equipment and vehicles £'000*	*Total £'000*
Cost or valuation			
At 1 January 1999	3,559	6,195	9,754
Additions	43	789	832
Disposals	(59)	(271)	(330)
At 31 December 1999	3,543	6,713	10,256
Depreciation			
At 1 January 1999	(725)	(4,502)	(5,227)
Charge for the year	(129)	(540)	(669)
Disposals	48	270	318
At 31 December 1999	(806)	(4,772)	5,578
Net book amount			
At 31 December 1999	2,835	1,690	4,678
At 31 December 1998	2,738	1,938	4,527

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 1999, they would have been included as:

	1999 £'000
Cost	1,649
Accumulated depreciation	(425)
Net book amount	1,224

7 *Leasing*

The Company has capitalised fixed assets which are held under finance leases. The gross value of assets leased was £2,103,000 *(1998: £2,103,000)* and accumulated depreciation was £1,962,000 *(1998: £1,912,000).*

8 *Stocks*

	1999 *£'000*	*1998* *£'000*
Raw materials and consumables	655	709
Work in progress	33	52
Finished products	2,217	2,008
	2,905	2,769

9 *Debtors*

	1999 *£'000*	*1998* *£'000*
Trade debtors	2,083	3,071
Amounts owed by related companies	15	16
Other debtors	11	-
Prepayments and accrued income	113	262
	2,222	3,349

All the above debtors are recoverable within one year.

10 *Creditors - Amounts falling due within one year*

	1999 *£'000*	*1998* *£'000*
Bank loans and overdrafts	1,201	495
Payments on account	-	28
Trade creditors	1,248	1,743
Amounts owed to related companies	151	309
Other creditors	99	229
Taxation and Social Security	373	801
Accruals and deferred income	609	866
Obligations under finance leases	150	277
	3,831	4,748

11 Creditors - Amounts falling due after more than one year

	1999 *£'000*	*1998* *£'000*
Other creditors (repayable within 5 years)		
- lease obligations	52	202

12 Provisions for Liabilities and Charges

	At 1 January 1999 *£'000*	*Charge* *£'000*	*Transferred to accruals* *£'000*	*Release for year* *£'000*	*At 31 December 1999* *£'000*
Redundancy and other rationalisation costs	144	-	(117)	27	-
Deferred taxation *(note 13)*	-	53	-	-	53
	144	53	(117)	27	53

13 Share Capital

	1999 *£'000*	*1998* *£'000*
Ordinary share of £1 each:		
Authorised, allotted and fully paid	3,334	3,334

As at 31 December 1999, the Company is an 80% subsidiary of Bonna Sabla. The remaining 20% of shares are held by Stanton plc.

14 Taxation

The corporation tax liability for the year comprised:

	1999 *£'000*	*1998* *£'000*
UK corporation tax at 24% (1998: 31.5%)	291	677
Deferred	53	-
	344	677

The 1999 effective tax rate has been reduced due to the movement on deferred taxation from an asset to a liability.

At 31 December 1999, there was a potential deferred tax liability of £53,000 comprising:

	1999 *Total potential Liability* *£'000*	*1999* *Provided* *£'000*	*1998* *£'000*
Accelerated capital allowances	55	55	47
Other timing differences	(2)	(2)	(102)
Deferred liability/(asset)	53	53	(55)

In accordance with the Company's accounting policies, the deferred tax asset in 1998 was not recognised.

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

15 Dividends Paid

	1999 *£'000*	*1998* *£'000*
Paid	753	200

16 Reserves

	Revaluation Reserve *£'000*	*Profit and Loss account* *£'000*
Balance at 1 January 1999	625	1,856
Result of the year	-	58
Transfer	(21)	21
Balance at 31 December 1999	604	1,935

17 Capital Commitments

There were capital commitments contracted for at 31 December 1999 of £211,000 *(1998: £276,000).*

18 Contingent Liabilities

At 31 December 1999 there were outstanding performance bonds of £496,000 *(1998: £593,140).*

19 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 £295,000 *(1998: £284,000).*

20 Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities

	1999	***1998***
	£'000	***£'000***
Operating profit	1,209	2,298
Depreciation charge	669	626
Loss on disposal of fixed assets	12	-
(Increase) in stocks	(136)	(360)
Decrease/(increase) in debtors	1,127	(724)
(Decrease)/increase in creditors	(1,072)	226
Decrease in provisions	(144)	(5)
	1,665	2,061

21 *Analysis of Changes in Net Debt*

	At 1 January 1999 £'000	Cash flows £'000	At 31 December 1999 £'000
Cash in hand	3	1	4
Overdrafts	261	(1,462)	(1,201)
	264	(1,461)	(1,197)
Debt due within one year	(530)	530	-
Finance leases	(479)	277	(202)
	(1,009)	807	(202)
	(745)	(654)	(1,399)

22 *Reconciliation of Net Cash Flow to Movement in Net Debt*

	1999 £'000
Increase in cash in the period	(1,461)
Decrease in short term deposits	495
Cash used to repay related party loan	35
Cash used to pay finance lease capital	277
Change in net debt	(654)
Net debt at 1 January 1999	(745)
Net debt at 31 December 1999	(1,399)

23 *Operating Lease Commitments*

At 31 December 1999 the Company had annual commitments under non-cancellable operating leases expiring as follows:

	1999 £'000	1998 £'000
Leases which expire within one year	13	8
Between one and five years	154	137
	167	145

24 Parent Undertakings and Ownership

The Company is an 80 per cent subsidiary of Bonna Sabla, the ultimate parent company and controlling party is Vivendi, both companies are incorporated in France. The remaining 20 per cent of ordinary share capital is owned by Stanton plc.

25 Related Party Transactions

During the year the Company traded with Stanton plc, an associated Company. Costs recharged from Stanton plc amounted to £Nil *(1998: £1,085,000)* for payroll and £273,000 *(1998: £285,000)* in respect of utility and rental costs. A balance of £36,000 *(1998: £25,000)* was payable to Stanton plc at 31 December 1999.

Sales of £5,000 were made to Stanton plc during the year.

During the year the Company also traded with members of the Vivendi Group. The transactions included purchase of plant and machinery £10,000 *(1998: £nil)*, hire of equipment £102,000 *(1998: £114,000)*, recharges of research and development costs of £30,000 *(1998: £37,000)*, royalties of £Nil *(1998: £7,000)*, and goods and services of £9,000 *(1998: £823,000)*. At 31 December 1999 £100,000 (*1998: £234,000)* was payable to other group companies. Trade sales of £33,000 (1997: £127,000) were also made to other Vivendi group companies during the year.