

Stanton Bonna Concrete Limited

(Company Number: 2263795)

Directors' Report and Accounts

For The Year Ended 31 December 1998



The Directors present their report and audited financial statements of the Company for the year ended 31 December 1998.

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 £18.4 million (1997: £14.8 million) and the profit after tax and dividend was £1,306,000 (1997: £986,000).

Results and Dividends

An interim dividend of £200,000 (6p per share net) (1997: Nil) was paid during the year.

The profit for the year after taxation and dividends of £1,306,000 (1997: £986,000) will be transferred to reserves.

Group Company Name Changes

During the year Société des Tuyaux Bonna which owns the majority of the shares of Stanton Bonna Concrete Limited changed its name to Bonna Sabla. Also, during the year Compagnie Générale Des Eaux, the ultimate parent undertaking, changed its name to Vivendi.

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 (resigned 18 November 1998)
P Queru (appointed 18 November 1998)

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.

	1998 Number of shares	1997 Number of shares
G J Nicholls	-	-
M E E Rivard	-	557
D R H Pommeret	115	115
F C Leblanc	-	-
M Barthet	-	-
P Queru	-	-

D R H Pommeret also holds 230 (1997: 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 £1,545 (1997: £825) during the year.

Year 2000

All computer systems, PC's and other electronic chip based technology have been reviewed by the Directors. Appropriate action is being taken to ensure that existing and new systems will be Year 2000 compliant. The additional cost the company is not expected to be 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

Following the merger of Price Waterhouse with Coopers & Lybrand from 1 July 1998, the new firm, PricewaterhouseCoopers, were appointed as auditors by the Directors. 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
28 April 1999

Registered Number

2263795

Registered Office:

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

Auditors' Report to the Members of Stanton Bonna Concrete Limited

We have audited the financial statements on pages 4 to 17 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

The directors are responsible for preparing the Directors Report and Accounts, including as described on page 2 the financial statements. Our responsibilities, as independent auditors, are established 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 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.

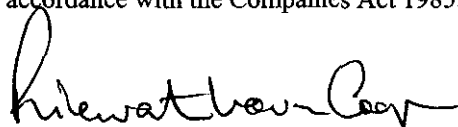
Basis of opinion

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 1998 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
Chartered Accountants
and Registered Auditors

28 April 1999

Profit and Loss Account for the year ended 31 December 1998

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	1998 £'000	1997 £'000
Turnover (note 1)	18,450	14,849
Cost of sales	(13,089)	(11,150)
Gross Profit	5,361	3,699
Distribution costs	(2,257)	(1,832)
Administration expenses	(806)	(653)
Operating Profit Before Interest	2,298	1,214
Interest (note 2)	(115)	(188)
Profit Before Taxation (note 3)	2,183	1,026
Taxation (note 13)	(677)	(40)
Dividend (note 14)	(200)	-
Profit After Taxation and Dividends (note 14)	1,306	986

The above results all arose from continuing operations.

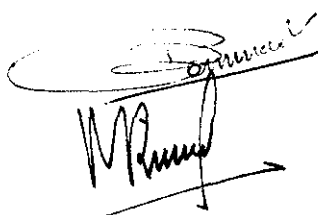
The notes set out on pages 8 to 17 form part of these financial statements.

	1998 £'000	1997 £'000
Fixed Assets		
Tangible assets (note 5)	4,527	4,510
Current Assets		
Stocks (note 7)	2,769	2,409
Debtors (note 8)	3,349	2,625
Cash at bank and in hand	264	2
	6,382	5,036
Creditors - Amount falling due within one year (note 9)	(4,748)	(4,374)
Net Current Assets/(Liabilities)	1,634	662
Total Assets Less Current Liabilities	6,161	5,172
Creditors - Amounts falling due after one year (note 10)	(202)	(514)
Provisions for liabilities and charges (note 11)	(144)	(149)
	5,815	4,509
Capital and Reserves		
Called up share capital (note 12)	3,334	3,334
Profit and loss account (note 15)	1,856	530
Revaluation reserve (note 5)	625	645
	5,815	4,509

Approved by the Board on 28 April 1999, and signed on its behalf by

Directors J. R. H. ZOMMERET

N. RIVIER



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

Cash Flow Statement for year ended 31 December 1998

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	1998 £'000	1997 £'000
Net cash inflow from operating activities (note 19)	2,061	1,785
Returns on investments and servicing of finance (note 20)	(115)	(189)
Taxation (note 20)	(95)	-
Capital expenditure (note 20)	(643)	(422)
	1,208	1,174
Equity dividends paid (note 20)	(200)	-
	1,008	1,174
Management of liquid resources (note 20)	495	(746)
Financing (note 20)	(284)	(324)
Increase/(decrease) in cash (note 21)	1,219	104

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

	<i>1998</i> <i>£'000</i>	<i>1997</i> <i>£'000</i>
Profit for the financial year and total recognised gains and losses for the year	1,306	986

Note of Historical Cost Profit

Reported profit on ordinary activities before taxation	2,183	1,026
Difference between the historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	20	20
Historical cost profit for the year before taxation	2,203	1,046
Historical cost profit for the year retained after taxation and dividends	1,326	1,006

Reconciliation of Movement in Shareholders' Funds

Profit for the financial year	1,306	986
Opening shareholders' funds	4,509	3,523
Closing shareholders' funds	5,815	4,509

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.

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 - 5 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.

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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

	1998 £'000	1997 £'000
Interest payable		
- other loans	-	2
- bank borrowings	53	114
Finance lease interest	62	72
	115	188

3 Profit on Ordinary Activities Before Taxation

	<i>1998</i> <i>£'000</i>	<i>1997</i> <i>£'000</i>
The results are stated after charging:		
Depreciation	625	694
Auditors' remuneration		
- for audit services	10	8
- for non audit services	2	2

4 Directors and Employees

	<i>1998</i> <i>£'000</i>	<i>1997</i> <i>£'000</i>
Staff costs for the period comprise:		
Wages and salaries	3,564	2,988
Social Security costs	297	243
Other pension costs	284	223
	4,145	3,454

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

	<i>1998</i> <i>Number</i>	<i>1997</i> <i>Number</i>
The average number of persons employed during the year excluding directors was:	179	161

5 Tangible Fixed Assets

	<i>Freehold land and buildings</i>	<i>Plant, machinery, equipment and vehicles</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Cost or valuation			
At 1 January 1998	3,362	5,750	9,112
Additions	197	445	642
At 31 December 1998	3,559	6,195	9,754
Depreciation			
At 1 January 1998	(607)	(3,995)	(4,602)
Charge for the year	(118)	(507)	(625)
At 31 December 1998	(725)	(4,502)	(5,227)
Net book amount			
At 31 December 1998	2,834	1,693	4,527
At 31 December 1997	2,755	1,755	4,510

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 1998, they would have been included as:

	<i>1998 £'000</i>
Cost	1,649
Accumulated depreciation	(404)
Net book amount	1,245

6 Leasing

The Company has capitalised fixed assets which are held under finance leases. The gross value of assets leased was £2,103,000 (1997: £2,103,000) and accumulated depreciation was £1,912,000 (1997: £1,820,000).

7 Stocks

	<i>1998</i> <i>£'000</i>	<i>1997</i> <i>£'000</i>
Raw materials and consumables	709	620
Work in progress	52	35
Finished products	2,008	1,754
	2,769	2,409

8 Debtors

	<i>1998</i> <i>£'000</i>	<i>1997</i> <i>£'000</i>
Trade debtors	3,071	2,294
Amounts owed by related companies	16	33
Other debtors	-	74
Prepayments and accrued income	262	224
	3,349	2,625

All the above debtors are recoverable within one year.

9 Creditors - Amounts falling due within one year

	<i>1998</i> <i>£'000</i>	<i>1997</i> <i>£'000</i>
Bank loans and overdrafts	495	957
Payments on account	28	231
Trade creditors	1,743	1,485
Amounts owed to related companies	309	300
Other creditors	229	78
Taxation and Social Security	801	202
Accruals and deferred income	866	872
Obligations under finance leases	277	249
	4,748	4,374

10 Creditors - Amounts falling due after more than one year

	1998 £'000	1997 £'000
Other creditors (repayable within 5 years)		
- lease obligations	202	479
- other loans	-	35
	202	514

11 Provisions for Liabilities and Charges

	At 1 January 1998 £'000	Charge £'000	Utilised £'000	Release for year £'000	At 31 December 1998 £'000
Redundancy and other rationalisation costs	139	5	-	-	144
Other provisions	10	-	-	(10)	-
	149	5	-	(10)	144

12 Share Capital

	1998 £'000	1997 £'000
Ordinary share of £1 each:		
Authorised, allotted and fully paid	3,334	3,334

As at 31 December 1998, the Company is an 80% subsidiary of Bonna Sabla. The remaining 20% of shares are held by Stanton plc.

13 Taxation

The corporation tax liability for the year comprised:

	<i>1998</i> <i>£'000</i>	<i>1997</i> <i>£'000</i>
UK Corporation Tax at 31.5%	677	40

At 31 December 1998, there was a potential deferred tax asset of £55,000 (1997: £111,000) comprising:

	<i>1998</i> <i>£'000</i>	<i>1997</i> <i>£'000</i>
Accelerated capital allowances	(47)	(66)
Other timing differences	102	177
	55	111

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.

14 Dividends Paid and Proposed

	<i>1998</i> <i>£'000</i>	<i>1997</i> <i>£'000</i>
Paid	200	-
Proposed	-	-
	200	-

15 Reserves

	<i>Revaluation Reserve £'000</i>	<i>Profit and Loss account £'000</i>
Balance at 1 January 1998	645	530
Result of the year	-	1,306
Transfer	(20)	20
Balance at 31 December 1998	625	1,856

16 Capital Commitments

There were capital commitments contracted for at 31 December 1998 of £276,000 (1997: £52,000).

17 Contingent Liabilities

At 31 December 1998 there were outstanding performance bonds of £593,140 (1997: £762,000).

18 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 £284,000 (1997: £223,000).

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

	<i>1998</i> <i>£'000</i>	<i>1997</i> <i>£'000</i>
Operating profit	2,298	1,214
Depreciation charge	626	694
Loss on disposal of fixed assets	-	12
(Increase) in stocks	(360)	-
(Increase) in debtors	(724)	(929)
Increase in creditors	226	817
(Decrease) in provisions	(5)	(23)
	2,061	1,785

20 Gross Cash Flows

	<i>1998</i> <i>£'000</i>	<i>1997</i> <i>£'000</i>
Returns on investments and servicing of finance		
Interest paid	(115)	(189)
Taxation	(95)	-
Capital expenditure		
Payments to acquire tangible fixed assets	(643)	(431)
Receipts from sales of tangible fixed assets	-	9
	(643)	(422)
Equity dividends paid	(200)	-
Management of liquid resources		
Increase/(decrease) in short term deposits	495	(746)
Financing		
Repayment of term loan	-	(65)
Repayment of related party loan	(35)	(35)
Capital element of finance lease rental payments	(249)	(224)
	(284)	(324)

21 Analysis of Changes in Net Debt

	<i>At 1 January</i> <i>1998</i> <i>£'000</i>	<i>Cash flows</i> <i>£'000</i>	<i>Reclassification</i> <i>£'000</i>	<i>At 31 December</i> <i>1998</i> <i>£'000</i>
Cash in hand	2	1	-	3
Overdrafts	(957)	1,218	-	261
	(955)	1,219	-	264
Debt due within one year	(35)	(460)	(35)	(530)
Debt due after one year	(35)	-	35	-
Finance leases	(728)	249	-	(479)
	(1,753)	1,008	-	(745)

22 Reconciliation of Net Cash Flow to Movement in Net Debt

	<u>1998</u>
	<u>£'000</u>
Increase in cash in the period	1,219
Increase in short term deposits	(495)
Cash used to reduce loans	35
Cash used to pay finance lease capital	249
Change in net debt	1,008
Net debt at 1 January 1998	(1,753)
Net debt at 31 December 1998	(745)

23 Operating Lease Payment Commitments

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

	<u>1998</u>	<u>1997</u>
	<u>£'000</u>	<u>£'000</u>
Leases which expire within one year	8	17
Between one and five years	137	114
After five years	-	-
	145	131

24 Parent Undertakings and Ownership

The Company is an 80 per cent subsidiary of Bonna Sabla, the ultimate parent company 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 £1,085,000 (1997: £1,255,000) for payroll and £285,000 (1997: £287,000) in respect of utility and rental costs. A balance of £25,000 (1997: £151,000) was payable to Stanton plc at 31 December 1998.

In addition extended credit was given by Stanton plc on the purchase of land utilised by the company. The amount outstanding at 31 December 1998 is £35,000 (1997: £70,000), repayable in one annual instalment of £35,000.

During the year the Company also traded with members of the Vivendi Group. The transactions included purchase of plant and machinery £nil (1997: £27,000), hire of equipment £114,000 (1997: £92,000), recharges of research and development costs of £37,000 (1997: £36,000), royalties of £7,000 (1997: £7,000), and goods and services of £823,000 (1997: £638,000). At 31 December 1998 £234,000 (1997: £109,000) was payable to other group companies. Trade sales of £127,000 (1997: £249,000) were also made to other Vivendi group companies during the year.