

AGRA EUROPEAN HOLDINGS LIMITED
(formerly Ashmet Limited)

Report and Financial Statements

31 July 1999



Deloitte & Touche
Colmore Gate
2 Colmore Row
Birmingham
B3 2BN

CONTENTS	Page
Officers and professional advisers	1
Directors' report	2
Statement of directors' responsibilities	4
Auditors' report	5
Consolidated profit and loss account	6
Statement of total recognised gains and losses	6
Consolidated balance sheet	7
Balance sheet	8
Consolidated cash flow statement	9
Notes to the consolidated cash flow statement	10
Notes to the accounts	12

REPORT AND FINANCIAL STATEMENTS 1999

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

S James
D J Galange
P S Janson

SECRETARY

S James

REGISTERED OFFICE

100 New Bridge Street
London
EC4V 6JA

BANKERS

Barclays Bank plc
Stourbridge
PO Box 9
47 High Street
Dudley
DY1 1PP

AUDITORS

Deloitte & Touche
Chartered Accountants
Colmore Gate
2 Colmore Row
Birmingham
B3 2BN

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the period from 27 May 1998 (date of incorporation) to 31 July 1999.

ACTIVITIES

The principal activity of the group is project management, engineering, design, construction and commissioning of process plant and equipment for the chemical, oil, pharmaceutical and waste processing industries.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The company was incorporated as Ashmet Limited on 27 May 1998. The name of the company was changed to AGRA European Holdings Limited on 19 June 1998. With effect from 1 November 1998, the company acquired the whole of the allotted share capital of AGRA Birwelco Limited.

The results for the period reflect excellent progress made on major projects and across the various business divisions. The order backlog at the end of the period remains at a satisfactory level and represents a significant part of next year's turnover. There are several major projects currently being bid which, it is anticipated, will further strengthen the group's position as a leading industrial process contractor.

RESULTS AND DIVIDENDS

The results of the group for the year are set out in detail on page 6. No dividends have been paid or are proposed. Arrears of dividend of £326,603 on the 7% Cumulative Redeemable Preference shares of the company have been accounted for.

FIXED ASSETS

In the opinion of the directors the market value of the group's freehold properties is not materially different from the amount at which they are stated in the accounts.

DIRECTORS AND THEIR INTERESTS

The present directors are shown on page 1. None of the directors at the year end had any interests in the shares of the company as defined by the Companies Act 1985, at their date of appointment or at the end of the year.

Luciene James Limited was appointed as a director on incorporation and resigned on 19 June 1998.

Abogado Nominees Limited and Abogado Custodians Limited were appointed as directors on 19 June 1998 and resigned as directors on 11 November 1998.

S James was appointed as a director on 11 November 1998.

H W Pearson, A Taylor and R Dittmer were appointed as directors on 11 November 1998 and resigned on 10 April 2000.

D J Galange and P S Janson were appointed as directors on 10 April 2000.

None of the directors had any disclosable interest in the shares of any other group company.

YEAR 2000

Following their initial review, the directors continue to be alert to the potential risks and uncertainties surrounding the year 2000 issue. As at the date of this report, the directors are not aware of any significant factors which have arisen, or that may arise, which will affect the activities of the business; however, the situation is still being monitored. Any future costs associated with this issue cannot be quantified but are not expected to be significant.

DIRECTORS' REPORT

EMPLOYEES

Employees are kept informed of matters affecting them and of the financial performance of the company.

Wherever possible it is group policy to employ disabled persons, to offer continuity of employment to employees who become disabled and to provide career and training opportunities commensurate with their abilities.

AUDITORS

Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board

A handwritten signature in black ink, appearing to be 'R. James', written over a horizontal line.

Secretary

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 and the group as at the end of the financial year and of the profit or loss of the group 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 group 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 are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



AUDITORS' REPORT TO THE MEMBERS OF

AGRA EUROPEAN HOLDINGS LIMITED (formerly Ashmet Limited)

We have audited the financial statements on pages 6 to 21 which have been prepared under the accounting policies set out on pages 12 and 13.

Respective responsibilities of directors and auditors

As described on page 4 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 circumstances of the company and the group, 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 affairs of the company and the group as at 31 July 1999 and of the profit of the group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

18 September 2000

Chartered Accountants and Registered Auditors

CONSOLIDATED PROFIT AND LOSS ACCOUNT
Period from 27 May 1998 (date of incorporation) to 31 July 1999

	Note	Acquisitions £	Discontinued activities £	Total £
TURNOVER	2	65,821,994	1,180,178	67,002,172
Cost of sales		57,194,354	1,526,626	58,720,980
Gross profit/(loss)		8,627,640	(346,448)	8,281,192
Administrative expenses		(2,897,113)	(414,162)	(3,311,275)
OPERATING PROFIT/(LOSS)	4	5,730,527	(760,610)	4,969,917
Share of loss of associated company				(56,980)
Interest receivable	5			488,119
Interest payable and similar charges	6			(19,638)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION				5,381,418
Tax on profit on ordinary activities	7			1,204,341
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION				4,177,077
Dividends	8			(326,603)
PROFIT FOR THE FINANCIAL YEAR				3,850,474

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Period from 27 May 1998 to 31 July 1999

	£
Profit for the financial year	3,850,474
Currency translation differences on foreign currency net investments	(10,388)
Total recognised gains and losses for the year	3,840,086

CONSOLIDATED BALANCE SHEET
31 July 1999

	Note	£	£
FIXED ASSETS			
Intangible assets	10	8,605,679	
Tangible assets	11	<u>1,160,739</u>	
			9,766,418
CURRENT ASSETS			
Stocks	13	1,617,937	
Debtors	14	17,522,901	
Cash at bank and in hand		<u>18,883,156</u>	
			38,023,994
CREDITORS: amounts falling due within one year	15	<u>32,050,623</u>	
NET CURRENT ASSETS			<u>5,973,371</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			15,739,789
CREDITORS: amounts falling due after more than one year	16		<u>(4,073,100)</u>
			<u>11,666,689</u>
CAPITAL AND RESERVES			
Called up share capital	17	7,500,000	
Other reserves	18	326,603	
Profit and loss account		<u>3,840,086</u>	
TOTAL SHAREHOLDERS' FUNDS			<u>11,666,689</u>

These financial statements were approved by the Board of Directors on

August 25, 2000

Signed on behalf of the Board of Directors


Director

BALANCE SHEET
31 July 1999

	Note	£
FIXED ASSETS		
Investments	11	<u>10,500,000</u>
CURRENT ASSETS		
Cash at bank and in hand		10,407
CREDITORS: amounts falling due within one year	14	<u>84</u>
NET CURRENT ASSETS		<u>10,323</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		10,510,323
CREDITORS: amounts falling due after more than one year	15	<u>(3,010,000)</u>
		<u>7,500,323</u>
CAPITAL AND RESERVES		
Called up share capital	16	7,500,000
Other reserves	18	326,603
Profit and loss account		<u>(326,280)</u>
TOTAL SHAREHOLDERS' FUNDS		<u>7,500,323</u>

These financial statements were approved by the Board of Directors on

August 25, 2000

Signed on behalf of the Board of Directors


Director

CONSOLIDATED CASH FLOW STATEMENT
Period from 27 May 1998 to 31 July 1999

	Note	£
Cash flow from operating activities	(i)	374,336
Returns on investments and servicing of finance	(ii)	468,481
Taxation		1,026,125
Capital expenditure and financial investment	(ii)	(510,264)
Acquisitions	(iv)	17,539,010
Cash outflow before use of liquid resources and financing		18,897,688
Financing	(ii)	(14,532)
Increase in cash in the period		<u>18,883,156</u>

Reconciliation of net cash flow to movement in net funds	(iii)	£
Increase in cash in the period		18,883,156
Change in net debt resulting from cash flows		<u>(31,470)</u>
Movement in net funds in the period		18,851,686
Net funds at start of period		<u>-</u>
Net funds at end of period		<u>18,851,686</u>

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT
Period from 27 May 1998 to 31 July 1999

(i) RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS

	£
Operating profit	4,969,917
Depreciation	326,355
Amortisation	335,574
Loss on sale of tangible fixed assets	7,161
Decrease in stocks	169,362
Decrease in debtors	1,132,636
Decrease in creditors	(6,574,121)
Exchange adjustments	7,452
Net cash inflow from operating activities	374,336

(ii) ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	£
Returns on investments and servicing of finance	
Interest received	488,119
Interest paid	(17,091)
Interest element of finance lease rental payments	(2,547)
Net cash outflow for returns on investments and servicing of finance	468,481
Capital expenditure and financial investment	
Purchase of tangible fixed assets	(551,842)
Sale of tangible fixed assets	41,578
Net cash outflow for capital expenditure and financial investment	(510,264)
Financing	
Loan from AGRA Inc	14,650,000
Repayment of loan	(14,640,000)
Capital element of finance lease rental payments	(24,532)
Net cash inflow from financing	(14,532)

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT
Period from 27 May 1998 to 31 July 1999

(iii) ANALYSIS OF NET FUNDS

	At 31 May 1998 £	On acquisition of subsidiaries (excluding cash) £	Cash flow £	At 31 July 1999 £
Cash in hand and at bank	-	-	18,883,156	18,883,156
Finance leases	-	(56,002)	24,532	(31,470)
	-	(56,002)	18,907,688	18,851,686

(iv) PURCHASE OF UNDERTAKINGS AND BUSINESSES

(a) AGRA Birwelco Limited

Net assets acquired:	£
Tangible fixed assets	972,848
Stocks	1,787,299
Debtors	20,591,126
Creditors	(38,791,536)
Cash at bank and in hand	17,027,890
	1,587,627
Goodwill	8,912,373
	10,500,000
Satisfied by:	
Payment by parent company	10,500,000

(b) Birwelco Howe-Baker LLC

Net assets acquired:	£
Tangible fixed assets	11,143
Debtors	294,877
Creditors	(920,840)
Cash at bank and in hand	511,120
	(103,700)
Included at 1 November 1998 as share of deficiency	16,211
Exchange differences	1,629
Share of losses to 31 March 1999	56,980
Goodwill	28,880
	-

The subsidiaries acquired contributed the whole of the group's operating cash flow.

NOTES TO THE ACCOUNTS
Period from 27 May 1998 to 31 July 1999

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Basis of consolidation

The group accounts incorporate the accounts of the company and its subsidiaries. The companies make up their accounts to the same date.

The results of businesses acquired or sold during the period are included in the consolidated accounts from or to their respective dates of acquisition or disposal. Where appropriate, the financial statements of overseas subsidiary and associated undertakings are adjusted to conform with the following accounting policies. On the acquisition of a business, including an interest in an associated undertaking, fair values are attributed to the group's share of net tangible assets. Where the cost of acquisition differs from the values attributed to such assets, the difference is treated as purchased goodwill and amortised over its useful life.

Turnover

Turnover represents the invoiced value of sales, excluding value added tax. For long term contracts, sales are recognised when the conditions of the contract, or predetermined segments thereof, have been substantially fulfilled.

Contract results and work in progress

- (i) A major part of the activity of the group comprises long term contracts. Dependent on the nature of the work being undertaken and the stage of completion reached on the contract, an estimate of profits earned is credited in the financial statements after providing for warranty and commissioning costs. Warranty periods can extend over more than one year and the results also reflect any adjustments to provisions for warranty and commissioning costs made in respect of contracts completed in earlier years.
- (ii) Work in progress, which relates to long term contracts, has been valued at the lower of cost and estimated realisable value. Provision is made for the amount by which known and anticipated costs exceed sales value.

Tangible fixed assets

Depreciation is charged on a straight line basis calculated at annual rates estimated to write off each asset over the term of its useful life. The rates generally in use are as follows:

	Straight line %	Assumed life (Years)
Office equipment	10.0	10
Computers	33.3	3
Motor vehicles	25.0	4

Investments

Investments in subsidiary undertakings are stated at cost less any provision for impairment.

NOTES TO THE ACCOUNTS

Period from 27 May 1998 to 31 July 1999

1. ACCOUNTING POLICIES (continued)

Deferred taxation

Deferred taxation is provided at the anticipated tax rates on differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements to the extent that it is probable that a liability or asset will crystallise in the future.

Foreign currency

Transactions denominated in foreign currencies are translated into sterling at rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. These translation differences are dealt with in the profit and loss account.

Pension costs

The expected cost of providing pensions, as calculated periodically by professionally qualified actuaries, is charged to the profit and loss account so as to spread the cost over the service lives of employees in the scheme, in such a way that the pension cost is a substantially level percentage of current and expected future pensionable payroll.

Leases

- (i) Assets held under finance leases and the related lease obligations are recorded in the balance sheet at the fair value of the leased assets at the inception of the leases. The amounts by which the lease payments exceed the recorded lease obligations are treated as finance charges which are amortised over each lease term on a straight line basis.
- (ii) Rental costs under operating leases are charged to profit and loss account in equal annual amounts over the period of the leases.

Research and development

Research and development is charged to the profit and loss account as incurred.

2. TURNOVER

A geographical analysis of turnover by ultimate destination is given below:

	£
United Kingdom	17,197,913
The Americas	10,977,299
Rest of Europe	5,036,289
Asia	33,003,268
Africa	778,018
Australia	9,385
	<hr/> 67,002,172 <hr/>

All turnover derives from the company's principal activity.

NOTES TO THE ACCOUNTS

Period from 27 May 1998 to 31 July 1999

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	£
Directors' emoluments	-
<hr/>	
The directors are remunerated by the ultimate parent company.	
	No
Average number of persons employed	251
<hr/>	
	£
Staff costs during the period	
Wages and salaries	6,371,236
Social security costs	708,692
Pension costs	308,867
	<hr/>
	7,388,795
	<hr/>

4. OPERATING PROFIT

Operating profit is after charging:	£
Depreciation and amortisation:	
Owned assets	312,648
Leased assets	13,707
Amortisation of goodwill	335,574
Rentals under operating leases:	
Hire of plant and vehicles	338,174
Leased land and buildings	53,255
Auditors' remuneration:	
Audit services	40,828
Non audit services	8,000
	<hr/>

5. INTEREST RECEIVABLE

	£
Bank interest receivable	488,119
	<hr/>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	£
Bank interest	17,091
Finance leases	2,547
	<hr/>
	19,638
	<hr/>

NOTES TO THE ACCOUNTS
Period from 27 May 1998 to 31 July 1999

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	£
Taxation comprises:	
Corporation tax at 31% based on the profit for the period	1,155,734
Overseas taxation	48,607
	<u>1,204,341</u>

The disproportionate tax charge reflects the reversal of timing differences not previously provided for.

8. DIVIDENDS

	£
Dividends on the 7% Cumulative Redeemable Preference shares, accrued on a daily basis	326,603
	<u>326,603</u>

9. PROFIT OF PARENT COMPANY

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these accounts. The parent company's profit for the financial year amounted to £323.

10. INTANGIBLE FIXED ASSETS

Represents the goodwill arising on the acquisitions of AGRA Birwelco Limited with effect from 1 November 1998 and of Birwelco Howe-Baker LLC on 1 April 1999 (see note 11).

	£
Cost	
Arising in the year	8,941,253
Amortisation	
Charge for the period	335,574
	<u>335,574</u>
Net book value at 31 July 1999	<u>8,605,679</u>

NOTES TO THE ACCOUNTS
Period from 27 May 1998 to 31 July 1999

11. TANGIBLE FIXED ASSETS

	Office equipment, computers and motor vehicles £
(a) The Group	
Cost	
On acquisition of subsidiaries	2,916,035
Additions	551,842
Disposals	(490,503)
At 31 July 1999	<u>2,977,374</u>
Accumulated depreciation	
On acquisition of subsidiaries	1,932,044
Charge for the period	326,355
Disposals	(441,764)
At 31 July 1999	<u>1,816,635</u>
Net book value	
At 31 July 1999	<u>1,160,739</u>

The net book value of fixed assets included £36,677 in respect of assets held under finance leases.

12. FIXED ASSET INVESTMENTS

Company	£
Subsidiary undertakings	<u>10,500,000</u>

The company owns the entire issued share capital of the following subsidiaries.

Subsidiary	Principal Activity	Country of incorporation and operation
AGRA Birwelco Limited	Project management, engineering design,	UK
Birwelco Singapore Pte Limited*	construction and commissioning of process	Singapore
AGRA Birwelco LLC*	plant and equipment for the chemical, oil,	USA
PCI International Inc*	pharmaceutical and waste processing	USA
	industries.	

*Shares held by subsidiary company.

On 31 July 1999, PCI International Inc ceased trading and the assets of the business were sold.

With effect from 1 November 1998, the company acquired the entire allotted share capital of AGRA Birwelco Limited for a cash consideration.

	£
Net assets at date of acquisition	1,587,627
Consideration	<u>10,500,000</u>
Goodwill	<u>8,912,373</u>

The goodwill is being written off over 20 years.

NOTES TO THE ACCOUNTS
Period from 27 May 1998 to 31 July 1999

12. FIXED ASSET INVESTMENTS (continued)

The consolidated profit and loss account of AGRA Birwelco Limited from the beginning of its financial year, 1 January 1998, until the effective date of acquisition may be summarised as:

	£
Turnover	60,067,704
Operating loss	(1,855,195)
Loss before taxation	(1,445,260)
Taxation	5,208
Loss after taxation	(1,450,468)

There were no other recognised gains or losses.

In the financial year ended 31 December 1997, the consolidated loss after tax was £7,570,090.

With effect from 1 April 1999, Birwelco Houston Inc acquired for nil consideration, the 50% of Birwelco Howe-Baker LLC it did not previously own. The name of the company was changed to AGRA Birwelco Inc.

	£
Net deficiency at date of acquisition	(103,700)
Included at 1 November 1998 as share of deficiency	16,211
Exchange difference	1,629
Share of losses to 31 March 1999	56,980
Goodwill on acquisition	28,880

The goodwill is being written off over 7 years.

The profit and loss account of Birwelco Howe-Baker LLC from 1 January 1999 until 31 March 1999 may be summarised as:

	£
Turnover	974,483
Operating loss	(833)
Loss before taxation	(1,197)
Taxation	-
Loss after taxation	(1,197)

There were no other recognised gains or losses.

In the financial year ended 31 December 1998, the loss after tax was £446,418.

Analysis of the net assets on acquisition, at book values which are their provisional fair values, is given in note (iv) to the Consolidated Cash Flow Statement on page 11.

NOTES TO THE ACCOUNTS
Period from 27 May 1998 to 31 July 1999

13. STOCKS

	Group £	Company £
Work in progress – long term contracts	2,048,214	-
Less: Payments on account	(430,277)	-
	<u>1,617,937</u>	<u>-</u>

14. DEBTORS

	Group £	Company £
Amounts due within one year		
Trade debtors	15,500,943	-
Taxation recoverable	738,248	-
Amounts owed by group undertakings	78,864	-
Other debtors	828,958	-
Prepayments and accrued income	375,888	-
	<u>17,522,901</u>	<u>-</u>

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group £	Company £
Payments on account of work in progress	5,883,880	-
Obligations under finance leases	31,470	-
Trade creditors	24,984,291	-
Amounts owed to group undertakings	35,727	84
Other taxation and social security	237,040	-
Other creditors	878,215	-
	<u>32,050,623</u>	<u>84</u>

16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group £	Company £
Amounts owed to group undertakings	3,010,000	3,010,000
Retentions	1,063,100	-
	<u>4,073,100</u>	<u>3,010,000</u>

NOTES TO THE ACCOUNTS
Period from 27 May 1998 to 31 July 1999

17. CALLED UP SHARE CAPITAL

	£
Authorised, allotted and fully paid	
1,000,000 Ordinary shares of £1 each	1,000,000
6,500,000 7% Cumulative Redeemable Preference shares of £1 each	6,500,000
	<u>7,500,000</u>

2 of the 1,000 then authorised Ordinary shares of £1 each were issued at par for cash on incorporation.

On 11 November 1998, the authorised share capital was increased by the creation of a further 999,000 Ordinary shares of £1 each ranking pari passu with the existing Ordinary shares and 6,500,000 7% Cumulative Redeemable Preference shares of £1 each. On the same date, the whole of the authorised share capital was allotted at par for cash.

The holders of the 7% Cumulative Redeemable Preference shares can require the company to redeem at any time a specified number of shares on a specified date by giving notice in writing.

They are entitled to a fixed cumulative dividend of 7% per annum. They are not entitled to any other participation in the profits of the company.

The holders are entitled to a return of capital and any arrears of dividend on any liquidation or return of capital (other than the redemption of preference shares) and to receive notice of and to attend any general meeting of the company but are not entitled to vote.

18. OTHER RESERVE

	£
The balance on the other reserve represents the accrued dividend on the 7% Cumulative Redeemable Preference shares of the company in excess of the balance of the company's profit and loss account	<u>326,603</u>

19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	£
Profit for the financial year	4,177,077
Issue of shares	7,500,000
Exchange differences	<u>(10,388)</u>
Net addition to shareholders' funds being closing shareholders' funds	<u>11,666,689</u>

NOTES TO THE ACCOUNTS

Period from 27 May 1998 to 31 July 1999

20. FINANCIAL COMMITMENTS

	Group £	Company £
Capital commitments		
Contracted for but not provided	30,000	30,000

Operating lease commitments

At 31 July 1999, the group and company had annual commitments under non-cancellable other operating leases as set out below:

	Group		Company	
	Land and buildings £	Other £	Land and buildings £	Other £
Leases which expire:				
Within one year	25,000	3,512	-	-
Within two to five years	175,000	39,157	-	-
After five years	73,100	4,472	-	-
	<u>273,100</u>	<u>47,141</u>	<u>-</u>	<u>-</u>

21. CONTINGENT LIABILITIES

The company's bankers have given indemnities for performance guarantees in respect of certain contracts. The directors are of the opinion that adequate provision has been made for any liability that may arise in respect of these indemnities.

22. PENSION SCHEME

The company operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company, being invested with an insurance company. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company.

The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent valuation was at 1 January 1996. The assumptions which have the most significant effect on the results are those relating to the return on investments and the rates of increase in salaries and pensions. It was assumed that the investment returns would be 8.5% per annum, that the salary increases would be 6.5% per annum and that present and future pensions would increase at the rate of 4.0% per annum.

The pension charge for the period was £308,867.

The most recent actuarial valuation showed that the market value of the scheme's assets was £6,586,000 and that the actuarial value of those assets represented 104% of the value of benefits that had accrued to members, after allowing for expected future increases in earnings. The contribution of the company and employees will remain at 8% and 5% of pensionable salaries, respectively.

Prepayments amount to £Nil.

NOTES TO THE ACCOUNTS

Period from 27 May 1998 to 31 July 1999

23. ULTIMATE PARENT COMPANY

The directors are of the opinion that the ultimate parent company is AGRA Inc incorporated in Canada. Copies of the group financial statements are available from the ultimate parent company at Royal Bank Tower, Suite 1900, 335 – 8th Avenue SW, Calgary, Alberta T2P 1C9.

The company has taken advantage of the exemptions under FRS 8, Related Party Disclosures, not to disclose transactions with other group companies, as financial statements for the ultimate parent company are publicly available.