

Harsco Investment Limited

(previously known as Marksgood Limited)

Annual report

for the 8 month period ended 31 December 2000

Company number: 03985379



Harsco Investment Limited

Directors' report and financial statements
for the 8 months ended 31 December 2000

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Harsco Investment Limited

Directors' report for the 8 months ended 31 December 2000

The directors present their report together with the audited financial statements of the company for the eight month period ended 31 December 2000.

Principal activities

The company is the parent undertaking of a group of companies whose principal activities are the supply, hire and manufacture of a wide range of access related products and services and the provision of specialist services to the steel sector throughout the world.

Review of the business

The company was incorporated on 4 May 2000 as Marksgood Limited. On 12 May 2000, the one thousand subscribed shares of Marksgood Limited were acquired by Harsco Corporation by way of transfer. As a result the Directors regard Harsco Corporation to be the parent undertaking. On 15 May 2000 the company changed its name to Harsco Investment Limited.

On 16 June 2000 the company acquired from John Mowlem and Company plc its 50.5% holding in the shares of SGB Group plc. The remaining 49.5% of SGB Group plc's share capital was acquired by way of a Public offer, on 11 August 2000. See note 26 for further details. Subsequently, SGB Group plc changed its name to SGB Group Limited.

On 31 December 2000 the company acquired from Harsco Corporation by way of a share for share exchange, 100% of the shares of Heckett International Services Limited, Harsco Europa BV, Heckett Multiserv International BV and Heckett Multiserv Investment Limited. See note 26 for further details.

The 2000 results represent the 6½ months trading following acquisition of SGB Group plc and its subsidiary companies. The directors regard that the business development of SGB Group plc and its subsidiary companies during the period and its financial position at the end of the period was satisfactory and expect that the present level of activity will be sustained in the foreseeable future.

Subsequent to the purchase of Heckett International Services Limited, Harsco Europa BV, Heckett Multiserv International BV and Heckett Multiserv Investment Limited, and their subsidiaries, the Group has continued to make good progress towards its objective of creating a geographically balanced spread of Industrial Service businesses.

Change of accounting reference date

On 15 November 2000, the Company's accounting reference date was changed to 31 December.

Results and dividends

There was a loss for the period after taxation and minority interests of £4,440,000, which has been deducted from reserves. The directors do not recommend the payment of a dividend.

Directors and their interests

The directors who served during the period were:

| | |
|---------------------------|-----------------------|
| S D Fazzolari | Appointed 12 May 2000 |
| D C Hathaway | Appointed 12 May 2000 |
| Instant Companies Limited | Resigned 12 May 2000 |

S D Fazzolari and D C Hathaway are also directors of the company's ultimate parent undertaking, Harsco Corporation, and their interests in the shares of that company are disclosed in the company's own financial statements. None of the directors had any beneficial interest in the shares of Harsco Investment Limited.

Harsco Investment Limited

Directors and advisors

Directors:

S D Fazzolari
D C Hathaway
G D H Butler (appointed 19 September 2001)
M H Cubitt (appointed 22 October 2001)

Registered office:

Harsco House
Regent Park
299 Kingston Road
Leatherhead
Surrey
KT22 7SG

Company Secretary

C M Parr (appointed 22 October 2001)
P C Coppock (appointed 12 May 2000, resigned 22 October 2001)

Registered number:

03985379

Auditors

PricewaterhouseCoopers
Temple Court
35 Bull Street
Birmingham
B4 6JT

Solicitors

DLA
Princes Exchange
Princes Square
Leeds
LS1 4BY

Principal Bankers

National Westminster Bank Plc
St James's and Piccadilly
PO Box 2DG
208 Piccadilly
London
W1A 2DG

Harsco Investment Limited

Directors' report for the 8 months year ended 31 December 2000 (continued)

Introduction of the euro

Management does not expect significant further costs resulting from the introduction of the Euro. The Group has the facilities necessary to accommodate any requirement to deal with the Euro.

Tangible fixed assets

In the opinion of the directors, there was no significant difference between market values and book values of land and buildings at 31 December 2000.

Donations

There were no charitable or political donations during the period.

Employees

The company's policy is, where practicable, to encourage the employment of the disabled and the continued employment and training of persons who become disabled whilst in the company's employment, bearing in mind the requirements of the job, and to ensure that the training, career development and promotion of disabled persons is identical to that of other employees.

The company implements a policy of keeping its employees informed on a regular basis of matters concerning them as employees and on financial and economic factors affecting the performance of the company. Employees' representatives are consulted on a wide range of matters affecting their current and future interests.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period that give a true and fair view of the state of affairs of the company at the end of the financial period and of the profit or loss 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, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements 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 that 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 company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Harsco Investment Limited

Directors' report for the 8 months year ended 31 December 2000 (continued)

Auditors

On 14 September 2000 PricewaterhouseCoopers were appointed as auditors of the Company.

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office and in accordance with Section 385 of the Companies Act 1985 a resolution concerning their reappointment will be proposed at the annual general meeting.

By order of the board

A handwritten signature in black ink, appearing to be 'C M Parr', with a long horizontal stroke extending to the right.

C M Parr
Secretary
10 May 2002

Independent auditors' report to the members of Harsco Investment Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board.

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 1985. 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.

Basis of audit 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 at 31 December 2000 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers

Chartered Accountants and Registered Auditors

Birmingham

10 May 2002

Harsco Investment Limited

Consolidated profit and loss account for the 8 months ended 31 December 2000

| | Notes | 8 months 2000 £'000 |
|--|-----------|---------------------------|
| Turnover | | 160,299 |
| Less: share of joint venture turnover | | (7,601) |
| Group turnover | 2 | 152,698 |
| Cost of sales | | (101,816) |
| Gross profit | | 50,882 |
| Selling and distribution costs | | (25,656) |
| Administrative expenses | | (19,335) |
| Other operating income | | 459 |
| Group operating profit | | 6,350 |
| Share of operating profit of joint venture | | 565 |
| Operating profit including and joint ventures | | 6,915 |
| Interest payable and similar charges | 4 | (10,785) |
| Interest receivable and similar income | 4 | 824 |
| Loss on ordinary activities before taxation | 5 | (3,046) |
| Tax on loss on ordinary activities | 6 | (1,225) |
| Loss on ordinary activities after taxation | | (4,271) |
| Equity minority interests | | (169) |
| Retained loss for the financial period | 18 | (4,440) |

The results above have been derived wholly from activities acquired during the period, and all activities are continuing activities.

There is no difference between the loss on ordinary activities before taxation and the retained loss for the period stated above and their historical cost equivalents.

The results shown above include the consolidated results of SGB Group Limited for the period since acquisition. The results do not include any amounts in respect of the other subsidiary companies shown in note 26, which were acquired on 31 December 2000.

Harsco Investment Limited

Statement of group total recognised gains and losses for the 8 months ended 31 December 2000

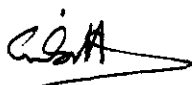
| | 8 months 2000 £'000 |
|---|-------------------------------|
| Loss for the financial period | (4,440) |
| Gain arising on retranslation of net assets in subsidiary undertakings. | 195 |
| Total recognised losses for the financial period | (4,245) |

Harsco Investment Limited

Consolidated balance sheet as at 31 December 2000

| | | 2000 | |
|--|-------|-----------|-----------|
| | Notes | £'000 | £'000 |
| Fixed assets | | | |
| Intangible assets | 8 | | 173,927 |
| Tangible assets | 9 | | 275,480 |
| Investments: | | | |
| Investment in joint ventures | | | |
| Share of gross assets | 10 | 2,297 | |
| Share of gross liabilities | | (1,551) | |
| | | 746 | |
| Investment in associates | 10 | 587 | 1,333 |
| | | | 450,740 |
| Current assets | | | |
| Stock | 11 | 32,898 | |
| Debtors | 12 | 237,592 | |
| Cash at bank and in hand | | 22,333 | |
| | | 292,823 | |
| Creditors: amounts falling due within one year | 13 | (183,100) | |
| Net current assets | | | 109,723 |
| Total assets less current liabilities | | | 560,463 |
| Creditors: amounts falling due after more than one year | 14 | | (284,911) |
| Provisions for liabilities and charges | 16 | | (44,186) |
| Equity minority interests | | | (5,610) |
| Net assets | | | 225,756 |
| Capital and reserves | | | |
| Called up share capital | 17 | | 230,001 |
| Profit and loss account | 18 | | (4,245) |
| Total shareholders' funds – equity interests only | 19 | | 225,756 |

The financial statements on pages 6 to 31 were approved by the board of directors on 10 May 2002 and were signed on its behalf by:

M. M. 

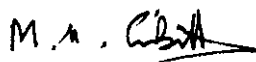
M H Cubitt
Director

Harsco Investment Limited

Company balance sheet as at 31 December 2000

| | Notes | 2000 £'000 |
|--|-------|-----------------|
| Fixed assets | | |
| Investments | 10 | 423,882 |
| Current assets | | |
| Cash at bank and in hand | | 68 |
| Creditors: Amounts falling due within one year | 13 | (10,725) |
| Net current liabilities | | (10,657) |
| Total assets less current liabilities | | 413,225 |
| Creditors: Amounts falling due after more than one year | 14 | (190,256) |
| Net assets | | 222,969 |
| Capital and reserves | | |
| Called up share capital | 17 | 230,001 |
| Profit and loss account | 18 | (7,032) |
| Total shareholders' funds – equity interests only | 19 | 222,969 |

The financial statements on pages 6 to 31 were approved by the board of directors on 10 May 2002 and were signed on its behalf by:



M H Cubitt
Director

Harsco Investment Limited

Notes to the financial statements for the 8 months period ended 31 December 2000

1 Accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention and applicable accounting standards in the United Kingdom. A summary of the more important group accounting policies is set out below:

Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the Company and its subsidiary undertakings listed in note 10 made up to 31 December 2000. The results of the subsidiary undertakings acquired are included in the consolidated profit and loss account from the date control passes. Intra-group sales and profits are eliminated fully on consolidation. In accordance with the exemptions given by Section 230 of the Companies Act 1985, the holding company has not presented its own profit and loss account.

Investments

Investments in subsidiary undertakings are stated at cost, including directly attributable costs of acquisition, less provision for impairment.

Goodwill

Goodwill, representing the excess of the fair value of the consideration for subsidiaries and other businesses over the fair values of the net assets acquired, is capitalised and written off in equal annual instalments over its expected useful economic life of twenty years.

Tangible fixed assets and depreciation

Depreciation of tangible fixed assets is provided from the date of acquisition so as to write off assets on a straight-line basis over the term of their useful lives. No depreciation is provided on assets in the course of construction. The bases and annual depreciation rates in use for the various classes of assets are as follows:

| | |
|---|-------------------------------------|
| Freehold premises | 50 years |
| Leasehold premises | Lower of 50 years and life of lease |
| Plant, equipment, fixtures and vehicles | 2 – 20 years |

Intangible fixed assets – patent costs

Patent costs are capitalised at cost and are written off over the expected life of the products to which they relate.

Turnover

Turnover comprises the value of goods and services provided during the period, excluding value added tax and sales between group companies.

Harsco Investment Limited

Notes to the financial statements for the 8 months ended 31 December 2000 (continued)

1 Accounting policies (continued)

Pension costs

Contributions are charged to the profit and loss account so as to spread the regular cost over the average service lives of employees in accordance with the advice of independent qualified actuaries. Actuarial surpluses and deficits are spread forward over the average remaining service lives of employees.

The Group operates contributory defined benefit pension schemes covering some of its permanent employees. The scheme funds are administered by trustees and are independent of the company's finances.

The Group also operates a contributory defined contribution scheme in respect of some full time permanent employees over the age of 21

Associated undertakings

Undertakings other than subsidiary undertakings, in which the Group has an investment representing at least 20% of the voting rights and over which it exerts significant influence are treated as associated undertakings.

The Group's share of profits and other recognised gains and losses of the associated undertakings are included in the consolidated profit and loss account and statement of Group total recognised gains and losses. The consolidated balance sheet includes the investment in associated undertakings at the Group share of net assets.

Joint Ventures

An entity is treated as a joint venture if the group jointly controls that entity together with one or more other ventures under a contractual arrangement. The group's share of turnover and operating profit of joint ventures is included in the notes to the profit and loss account and the group's share of gross assets and liabilities has been reported within the notes to the balance sheet. Intra group sales and profit are eliminated fully on consolidation. The group balance sheet includes the investment in joint venture undertakings at the group's share of net assets.

Deferred taxation

A provision for deferred taxation, calculated using the liability method is made to take account of timing differences between the treatment of certain items for accounts purposes and the treatment for taxation purposes. Provision is made only to the extent that there is a reasonable probability that such tax will become payable in the foreseeable future.

Hire purchase contracts, finance leases and operating leases

Assets acquired under hire purchase contracts and finance lease agreements are capitalised at cost and depreciated over the shorter of the term of the lease and the useful life underlying the depreciation rates set out above. The liabilities to the leasing companies are shown as obligations under finance leases within creditors. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit in proportion to the reducing capital element outstanding.

Rental costs of operating leases are charged to the profit and loss account in the period to which they relate.

Stocks

Stocks and work in progress are valued at the lower of cost and net realisable value. Cost comprises all direct costs incurred during the production process, including an appropriate allocation of attributable overheads.

Harsco Investment Limited

Notes to the financial statements for the 8 months ended 31 December 2000 (continued)

1 Accounting policies (continued)

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account. The results are translated at the average rate of exchange for the period and exchange differences arising from the retranslation of the results of the subsidiary and associated undertakings average rate are taken to reserves and reported in the statement of total recognised gains and losses.

Research and development

Research and development expenditure is charged to the profit and loss account in the period in which it is incurred.

2 Analysis of turnover, loss before taxation and net assets

An analysis of the Group's turnover, loss before taxation and net assets by geographical area is set out below:

| | 8 months 2000 Turnover | 8 months 2000 Loss before taxation | 2000 Net assets |
|----------------|------------------------------|---|--------------------|
| | £'000 | £'000 | £'000 |
| United Kingdom | 96,522 | (5,075) | (19,382) |
| Rest of Europe | 35,317 | 1,546 | 125,160 |
| North America | 8,756 | 624 | 27,670 |
| Far East | 4,300 | (906) | 7,330 |
| Middle East | 7,803 | 765 | 2,727 |
| South America | - | - | 59,454 |
| Africa | - | - | 12,284 |
| Australia | - | - | 10,513 |
| | 152,698 | (3,046) | 225,756 |

- (i) The operations of the Group in the period comprise one segmental class of business being the supply of access and related products and services.
- (ii) Turnover by geographical destination is not materially different from turnover by geographical origin.
- (iii) The results above all relate to acquisitions in the period.
- (iv) Within the group net assets of the UK, is included £190,000,000 of debt. Interest charged of £6,953,511 on this debt has been deducted in arriving at the UK loss before taxation.

Harsco Investment Limited

Notes to the financial statements for the 8 months ended 31 December 2000 (continued)

3 Staff costs and employees (including directors)

Staff costs

8 months
2000

£'000

Analysis of staff costs:

| | |
|--------------------|--------|
| Wages and salaries | 51,475 |
|--------------------|--------|

| | |
|-----------------------|-------|
| Social security costs | 3,433 |
|-----------------------|-------|

| | |
|---------------------|-----|
| Other pension costs | 559 |
|---------------------|-----|

| | |
|--|--------|
| | 55,467 |
|--|--------|

Numbers of employees

The average monthly number of employees (including directors) during the period was made up as follows:

Number

| | |
|------------------------------|-------|
| Direct labour and operatives | 2,625 |
|------------------------------|-------|

| | |
|--|-------|
| Managerial, administrative and selling | 1,930 |
|--|-------|

| | |
|--|-------|
| | 4,555 |
|--|-------|

Directors' emoluments

The emoluments of the directors in the period are paid by the US parent company, Harsco Corporation. None of the directors received emoluments in respect of their services to Harsco Investment Limited.

As at 31 December 2000, two directors held share options in the ultimate holding company, Harsco Corporation. No director exercised any share options during the year.

Harsco Investment Limited

Notes to the financial statements for the 8 months ended 31 December 2000 (continued)

4 Interest (payable) / receivable

| | 8 months 2000 £'000 |
|---|---------------------------|
| Interest (payable) | |
| Hire purchase advances | (34) |
| Bank loans and overdraft | (2,111) |
| Finance lease and hire purchase contracts | (66) |
| Other loans | (8,574) |
| | (10,785) |
| Interest receivable | |
| Other interest receivable | 824 |
| | 824 |

5 Loss on ordinary activities before taxation

| | 8 months 2000 £'000 |
|---|---------------------------|
| The loss on ordinary activities before taxation is stated after charging/(crediting): | |
| Depreciation | |
| - Owned assets | 8,807 |
| - Assets held under hire purchase | 277 |
| Amortisation of goodwill | 2,086 |
| Auditors' remuneration : Audit services (Company: £12,000) | 240 |
| : Non audit services (Company: Nil) | 154 |
| Profit on disposal of fixed assets | (2,156) |
| Foreign exchange gains | (152) |
| Operating lease rentals: | |
| - Property | 1,859 |
| - Other | 5,273 |
| Exceptional items: | |
| - Redundancy costs | 1,368 |
| - Reorganisation costs | 1,994 |
| - Insurance costs arising due to insurance company going into receivership | 1,329 |

Harsco Investment Limited

Notes to the financial statements for the 8 months ended 31 December 2000 (continued)

6 Tax on loss on ordinary activities

| | £'000 |
|--|---------|
| The taxation (charge)/credit for the year comprises: | |
| Corporation tax at 30% | (2,557) |
| Deferred tax | 1,497 |
| Share of taxation of joint venture | (165) |
| | (1,225) |

The tax effect of the material items which cause the tax charge to be higher than expected are unprovided deferred tax assets of £0.9m and expenditure not allowed for tax purposes of £1.8m.

7 Profit of holding company

Of the loss for the financial period, a deficit of £7,032,000 is dealt with in the accounts of Harsco Investment Limited.

8 Intangible fixed assets

| | Goodwill | Patents | Total |
|----------------------------|----------------|------------|----------------|
| Group | £'000 | £'000 | £'000 |
| Cost | | | |
| Acquisition (see note 26) | 175,531 | 482 | 176,013 |
| At 31 December 2000 | 175,531 | 482 | 176,013 |
| Amortisation | | | |
| Charge for the period | 2,086 | - | 2,086 |
| At 31 December 2000 | 2,086 | - | 2,086 |
| Net book value | | | |
| At 31 December 2000 | 173,445 | 482 | 173,927 |

No amortisation of patents has been charged in the period as they were acquired on 31 December 2000.

No amortisation has been charged on goodwill of £92,698,000 as it related to acquisitions on 31 December 2000.

Harsco Investment Limited

Notes to the financial statements for the 8 months ended 31 December 2000 (continued)

9 Tangible fixed assets

| Group | Land and buildings | Plant, equipment, fixtures & vehicles | Assets in the course of construction | Total |
|---------------------------------|-----------------------|--|--|----------------|
| | £'000 | £'000 | £'000 | £'000 |
| Cost | | | | |
| Acquisition (see note 26) | 35,735 | 208,650 | 16,352 | 260,737 |
| Exchange adjustments | 20 | 702 | - | 722 |
| Additions | 353 | 27,973 | 1,838 | 30,164 |
| Disposals | (1,627) | (5,912) | - | (7,539) |
| At 31 December 2000 | 34,481 | 231,413 | 18,190 | 284,084 |
| Accumulated depreciation | | | | |
| Charge for the period | 205 | 8,879 | - | 9,084 |
| Disposals | (13) | (467) | - | (480) |
| At 31 December 2000 | 192 | 8,412 | - | 8,604 |
| Net book value | | | | |
| at 31 December 2000 | 34,289 | 223,001 | 18,190 | 275,480 |

The net book value of fixed assets includes £6,695,000 in respect of assets held under hire purchase and finance lease agreements. Depreciation of £277,000 was charged on these assets during the period.

The cost of fixed assets includes £127,204,000 acquired on the acquisition of subsidiary undertakings on 31 December 2000. No depreciation has been charged on these assets.

Land and buildings includes freehold land at cost or valuation not subject to depreciation of £12,741,000.

The net book value of land and buildings comprises £22,418,000 freehold, £2,232,000 long leasehold and £9,639,000 short leasehold.

Harsco Investment Limited

Notes to the financial statements for the 8 months ended 31 December 2000 (continued)

10 Investments

| | Joint venture | Associated undertakings | Total |
|--|------------------|----------------------------|--------------|
| Group | £'000 | £'000 | £'000 |
| Cost or valuation | | | |
| Acquisitions (see note 26) | 744 | 587 | 1,331 |
| Share of retained profit (after dividend received of £400,000) | 2 | - | 2 |
| At 31 December 2000 | 746 | 587 | 1,333 |

The principal investments comprise 50% holdings in the following:

| Company | Country of Incorporation | Principal activity | Class of Shares |
|------------------------------------|-----------------------------|--------------------------------------|--------------------|
| Joint venture | | | |
| Salamis / SGB Limited | Scotland | Provision of access related services | Ordinary |
| Associates | | | |
| The Slag Reduction Co (NZ) Limited | New Zealand | Steel services | Ordinary |

| | Subsidiary undertakings |
|--------------------------------|----------------------------|
| Company | £'000 |
| Cost and net book value | |
| Additions in period | 423,882 |
| At 31 December 2000 | 423,882 |

Harsco Investment Limited

Notes to the financial statements for the 8 months ended 31 December 2000 (continued)

10 Investments (continued)

Investments in subsidiary undertakings comprise the following undertakings:

| Company | Country of incorporation | Proportion of share capital |
|--|--------------------------|-----------------------------|
| Heckett International Services Limited | England and Wales | 100% |
| Harsco Europa BV | Netherlands | 100% |
| Heckett Multiserv International BV | Netherlands | 100% |
| Heckett Multiserv Investment Limited | England and Wales | 100% |
| SGB Group Limited | England and Wales | 100% |
| *Heckett Ltd | England and Wales | 100% |
| *Harsco (UK) Limited | England and Wales | 100% |
| *Heckett Multiserv (Holland) B.V | Netherlands | 100% |
| *Heckett Multiserv Reclamet S.A | Spain | 97.5% |
| *Faber Prest Ltd | England and Wales | 100% |
| *Heckett MultiServ (SR) Limited | England and Wales | 100% |
| *Heckett MultiServ (ASR) Limited | England and Wales | 100% |
| *CTS – Companhia de Tratamento de Sucatas Limitada | Portugal | 100% |
| *Czech Slag SRO | Czech Republic | 100% |
| *Czech Slag Consulting SRO | Czech Republic | 100% |
| *Czech Slag Nova Hut SRO | Czech Republic | 65% |
| *Faber Prest (Australia) Limited | England and Wales | 100% |
| *Faber Prest (Overseas) Limited | England and Wales | 100% |
| *Faber Prest (Pacific) Limited | England and Wales | 100% |
| *Heckett MultiServ (proprietary) Limited | South Africa | 100% |
| *Faber Prest (US) Inc. | USA | 100% |
| *Slag Reduction Polska Sp zoo | Poland | 100% |
| *Slag Reductie Nederland BV | Netherlands | 100% |
| *Slag Reductie (Pacific) BV | Netherlands | 100% |
| *Slag Reduction Overseas Limited | England and Wales | 100% |
| *Slag Reduction Vitkovice SRO | Czech Republic | 65% |
| *Slag Reduction (South Africa) (Pty) Limited | South Africa | 100% |
| *SRA Mill Services Inc. | USA | 100% |
| *SRH (Pty) Limited | South Africa | 100% |
| *SRV Mill Services (Pty) Limited | South Africa | 100% |
| *Heckett MultiServ (Sheffield) Limited | England and Wales | 100% |
| *OTIS Transport Services Limited | England and Wales | 100% |
| *Faber Prest Distribution Limited | England and Wales | 100% |
| *Heckett MultiServ SAIC | Argentina | 100% |
| *MetServ Pty Ltd | Australia | 55% |
| *MetServ (Australasia) Pty Ltd | Australia | 70% |
| *MetServ Victoria Pty Ltd | Australia | 70% |

Harsco Investment Limited

Notes to the financial statements for the 8 months ended 31 December 2000 (continued)

10 Investments (continued)

| Company | Country of incorporation | Proportion of share capital |
|--|--------------------------|-----------------------------|
| *MetServ Holdings Pty Ltd | Australia | 55% |
| *Heckett MultiServ (Australia) Pty Ltd | Australia | 100% |
| *Heckett MultiServ SA | Belgium | 100% |
| *Heckett MultiServ Russia SA | Belgium | 100% |
| *Loyquip Holdings SA | Belgium | 100% |
| *Société D'Etudes et D'Administration des Entreprises SA | Belgium | 100% |
| *Sociedade Brasileira de Recuperacao de Metais (Sobremetal) Ltda | Brazil | 100% |
| *Comercio de Rejeitos Industriais Ltda | Brazil | 100% |
| *Heckett MultiServ SA | Chile | 100% |
| *EnviroServ Company Ltd | China | 55% |
| *MultiServ Wuhan Ltd | China | 100% |
| *MultiServ Jiangxi Ltd | China | 100% |
| *Heckett MultiServ France SA | France | 100% |
| *Heckett MultiServ Sud SA | France | 100% |
| *Floyequip SA | France | 100% |
| *PyroServ sarl | France | 100% |
| *Heckett MultiServ Industries | France | 100% |
| *Heckett MultiServ Logistique et Services Specialises | France | 100% |
| *IMS Servizi Spa | Italy | 100% |
| *MultiServ Srl | Italy | 100% |
| *ILSERV Srl | Italy | 65% |
| *Luxequip Holdings SA | Luxembourg | 100% |
| *Heckett MultiServ SA | Luxembourg | 100% |
| *Heckett MultiServ Finance BV | Netherlands | 100% |
| *Heckett MultiServ China BV | Netherlands | 100% |
| *Heckett MultiServ Far East BV | Netherlands | 100% |
| *Heckett MultiServ AS | Norway | 100% |
| *FerroServ Contract Labour (Pty) Ltd | South Africa | 100% |
| *Heckett MultiServ (FS) Pty Limited | South Africa | 100% |
| *MultiServ Slovensko sro | Slovakia Republic | 100% |
| *MultiServ sro | Czech Republic | 100% |
| *MultiServ Lycrete SA | Spain | 100% |
| *MultiServ Intermetal SA | Spain | 100% |
| *MultiServ Iberica SA | Spain | 100% |
| *Serviequipo SA | Spain | 100% |
| *Heckett MultiServ Nordiska AB | Sweden | 100% |
| *Heckett MultiServ plc | England and Wales | 100% |
| *Heckett MultiServ (UK) Ltd | England and Wales | 100% |

Harsco Investment Limited

Notes to the financial statements for the 8 months ended 31 December 2000 (continued)

10 Investments (continued)

| Company | Country of incorporation | Proportion of share capital |
|--|--------------------------|-----------------------------|
| *MultiServ Overseas Ltd | England and Wales | 100% |
| *Quipco Ltd | England and Wales | 100% |
| *Heckett MultiServ US Corporation | USA | 100% |
| *Heckett MultiServ Operations Limited | USA | 100% |
| *Heckett MultiServ General Corporation | USA | 100% |
| *Heckett MultiServ Intermetal Inc | USA | 100% |
| *Heckett MultiServ MV + MS CA | Venezuela | 100% |
| *SGB Holdings Limited | England and Wales | 100% |
| *SGB Services Limited | England and Wales | 100% |
| *SGB Investments Limited | England and Wales | 100% |

Each company operates in its country of registration. Shareholdings in companies marked * are not directly held by Harsco Investment Limited. Subsidiary undertakings which have not traded during the period are not listed

11 Stocks

| | Group 2000 £'000 |
|-------------------------------|------------------------|
| Raw materials and consumables | 9,557 |
| Work in progress | 2,097 |
| Finished goods | 21,244 |
| | 32,898 |

12 Debtors

| | Group 2000 £'000 |
|---|------------------------|
| Amounts receivable within one year | |
| Trade debtors | 130,607 |
| Amounts due from associated undertakings | 670 |
| Amounts due from group undertakings | 41,127 |
| Other debtors | 53,350 |
| Prepayments | 9,121 |
| Other debtors – deferred tax | 2,717 |
| | 237,592 |

Harsco Investment Limited

Notes to the financial statements for the 8 months ended 31 December 2000 (continued)

13 Creditors: amounts falling due within one year

| | Group 2000 | Company 2000 |
|--|----------------|-----------------|
| | £'000 | £'000 |
| Bank overdraft | 26,609 | - |
| Finance leases and hire purchase obligations (see note 15) | 2,036 | - |
| Trade creditors | 51,804 | - |
| Amounts owed to group undertakings | 35,892 | 10,646 |
| Corporation tax | 7,504 | - |
| Social security and other taxes | 15,821 | - |
| Accruals and deferred income | 43,434 | 79 |
| | 183,100 | 10,725 |

Bank overdrafts are denominated in a number of currencies and bear interest based on UK base rate plus a margin or similar foreign equivalent in the country in which the borrowing is incurred.

Bank overdrafts are unsecured but are underwritten by a guarantee from the ultimate parent company, Harsco Corporation.

Company

Creditors, amounts falling due within one year, includes a loan of £3,047,779 from a group undertaking, Harsco Europa BV, for which there are no fixed repayment terms. The accrued interest payable on this loan at 31 December 2000 amounted to £156,096 and has been included in amounts owed to group undertakings.

14 Creditors: Amounts falling due after more than one year

| | Group | Company |
|--|----------------|----------------|
| | £'000 | £'000 |
| Amounts owed to group undertakings | 236,928 | 190,000 |
| Other loans | 43,784 | - |
| Finance leases and hire purchase obligations (see note 15) | 3,943 | - |
| Other creditors | 256 | 256 |
| | 284,911 | 190,256 |

Group and company

Creditors, amounts falling due after more than one year, include an unsecured long term loan of £190,000,000 from the company's parent undertaking, Harsco Corporation, on which interest is payable at a rate equal to 0.125% over the Group's cost of capital and for which there are no fixed repayment terms. The company has received confirmation that Harsco Corporation will not seek repayment of the loan within the next 12 months.

Harsco Investment Limited

Notes to the financial statements for the 8 months ended 31 December 2000 (continued)

14 Creditors: Amounts falling due after more than one year (continued)

The accrued interest payable on this loan at 31 December 2000 amounted to £6,953,511 and has been included in creditors as amounts owed to group undertakings after more than one year.

Included within other loans are £8,956,000 of loan notes (2004 and 2008) and £34,828,000 of commercial paper. Interest on the loan notes in 2004 is payable at 100 basis points over the base rate of National Westminster Bank plc. The loan notes mature on 31 October 2004, but can be repaid earlier if the holders give six months notice of the required repayment. Interest on loan notes in 2008 is payable half yearly in arrears at 75 basis points below LIBOR. The loan notes mature on 31 October 2008 but can be repaid earlier if the holder gives 30 days notice of the required repayment. All loan notes issued are undertaken by a guarantee from Harsco Corporation.

A subsidiary of the company has a BEF 3,000,000,000 commercial paper programme under which commercial paper is issued in Belgium, denominated principally in Belgian and French Francs or in any other European currency or US Dollars. The final maturity of the programme is undetermined. The facility is irrevocably and unconditionally guaranteed by the parent, Harsco Corporation. The weighted average interest on commercial paper outstanding at 31 December 2000 was 5.15%.

Other creditors comprise the fair value of consideration due to holders of options granted on the acquisition of SGB Limited.

15 Loans and other borrowings

| | Group 2000 | Company 2000 |
|--|---------------|-----------------|
| | £'000 | £'000 |
| Obligations under finance leases and hire purchase contracts payable: | | |
| Within one year | 2,036 | - |
| Between one and two years | 1,915 | - |
| Between two and five years | 2,028 | - |
| | 5,979 | - |

The finance leases and hire purchase liabilities are secured on the related assets.

Harsco Investment Limited

Notes to the financial statements for the 8 months ended 31 December 2000 (continued)

15 Loans and other borrowings (continued)

| | Group 2000 | Company 2000 |
|---|----------------|-----------------|
| | £'000 | £'000 |
| Other loans and bank overdrafts payable: | | |
| Within one year | 26,609 | 3,048 |
| Between two and five years | 35,145 | - |
| In more than five years | 245,567 | 190,000 |
| | 307,321 | 193,048 |

16 Provisions for liabilities and charges

The movement in provisions for liabilities and charges comprises:

| | Deferred tax | Other |
|---|-----------------|---------------|
| | Group | Group |
| | £'000 | £'000 |
| Arising on acquisition of subsidiary undertakings | 28,141 | 16,490 |
| (Credited)/Charged | (1,497) | 2,257 |
| Utilised | - | (1,205) |
| At 31 December 2000 | 26,644 | 17,542 |
| Deferred tax asset note 12 | (2,717) | - |
| Net deferred tax liability | 23,927 | - |

Deferred taxation, at a rate of 30%, comprises:

| | Liability recognised | |
|-------------------------------------|----------------------|----------|
| | Group | Company |
| | £'000 | £'000 |
| Accelerated capital allowances | 13,259 | - |
| Other short term timing differences | 10,668 | - |
| At 31 December 2000 | 23,927 | - |

There is no potential liability to deferred taxation.

Harsco Investment Limited

Notes to the financial statements for the 8 months ended 31 December 2000 (continued)

16 Provisions for liabilities and charges (continued)

Other provisions comprise:

| | On acquisition | Group Profit and loss account (charge)/credit | | As at 31 December 2000 |
|---------------------------|-------------------|---|--------------|------------------------------|
| | £'000 | £'000 | | £'000 |
| | | Charge | Utilised | |
| Facilities discontinuance | (3,890) | (522) | 413 | (3,999) |
| Environmental | (521) | - | - | (521) |
| Warranty reserve | (268) | - | 9 | (259) |
| Insurance reserve | (5,304) | (1,708) | 274 | (6,738) |
| Onerous leases | (6,123) | - | 466 | (5,657) |
| Other | (384) | (27) | 43 | (368) |
| | (16,490) | (2,257) | 1,205 | (17,542) |

The onerous lease provision relates to a provision for onerous leases, vacant properties and for unfavourable property leases. The provision for vacant properties is based on a full provision for the residual lease commitments for the remaining period of the leases, as it is not expected that these premises will be sub-let. The provision for unfavourable property leases is based on the shortfall between the rents payable and sub-let rentals receivable over the remaining period of the leases.

The insurance provision relates to SGB Services liability for known outstanding claims, and incurred, but not yet reported claims for bodily injury to employees and bodily injury and damage sustained by third parties, arising from SGB Services business activities. The liability arises under the insurance policy deductibles, which apply to the company's Employers' Liability and Public/Products Liability policies of insurance. The provision required has been determined following an independent actuarial review by Anistics Financial Consulting.

Other provisions relate in the main to provisions for loss making contracts.

Harsco Investment Limited

Notes to the financial statements for the 8 months ended 31 December 2000 (continued)

17 Called up share capital

| | Group and company 2000 | |
|---|---------------------------|---------|
| | Number of shares | £'000 |
| Authorised | | |
| Equity shares | | |
| Ordinary shares of £1 each | 500,000,000 | 500,000 |
| Allotted, called up and fully paid | | |
| Equity shares | | |
| Ordinary shares of £1 each | 230,001,000 | 230,001 |

The authorised share capital of the company on incorporation was 1,000 £1 ordinary shares, which were issued fully paid up on that date for cash consideration.

On 31 December 2000 the authorised share capital was increased to 500,000,000 £1 ordinary shares. On the same day, 230,000,000 £1 ordinary shares were issued at par in exchange for 100% of the share capital of the subsidiary undertakings referred to in Note 10.

18 Profit and loss account

| | Group | Company |
|--|----------------|----------------|
| | £'000 | £'000 |
| Loss for the financial period | (4,440) | (7,032) |
| Gain arising on retranslation of net assets in subsidiary undertakings | 195 | - |
| At 31 December 2000 | (4,245) | (7,032) |

19 Reconciliation in movement in shareholders' funds

| | Group | Company |
|--|----------------|----------------|
| | £'000 | £'000 |
| Loss for the financial period | (4,440) | (7,032) |
| Gain arising on retranslation of net assets in subsidiary undertakings | 195 | - |
| New share capital subscribed | 230,001 | 230,001 |
| Closing shareholders' funds | 225,756 | 222,969 |

Harsco Investment Limited

Notes to the financial statements for the 8 months ended 31 December 2000 (continued)

20 Capital commitments

| | £'000 |
|--|-------|
| Capital commitments authorised by the Board and contracted for | 7,655 |

21 Pension Schemes

The group has established a number of pension schemes around the world covering many of its employees. The principal funds are those in the United Kingdom, the Harsco Pension Scheme, the SGB Group Staff Pension and Family Security Scheme ("the SGB scheme") and the SGB Youngman Scheme. The Harsco Pension Scheme is a funded scheme and is of both a defined benefit and defined contribution type. The SGB scheme is a funded defined benefit scheme. Outside of the United Kingdom, the schemes are predominantly of the money purchase type.

Company contributions to the Harsco defined contribution scheme are 6% of the relevant payroll. Contributions to the defined benefit section of the scheme are charged to the profit and loss account so as to spread the cost of pensions over the working lives of employees with the company. The contributions are decided by the Trustees of the scheme after consideration of advice from the qualified actuary appointed by them. The most recent actuarial valuation of the Harsco Pension Scheme was at 6 April 2000. The main assumptions made by the actuaries were:

| | % |
|--------------------|-----|
| Investment returns | 6.9 |
| Salary increases | 4.7 |
| Pension increases | 2.7 |

This showed that the Scheme's assets actuarial value, based on a smoothed market value represented 114% of the benefits that had accrued to the members of the Scheme, after allowing for future earnings increases. The market value of the assets was £116.2 million.

The assets of the SGB Scheme and the SGB Youngman Scheme are held under trust separately from those of the Company and invested directly on the advice of independent professional investment managers. The most recent actuarial valuation of the two SGB schemes was at 31 December 1999.

| | SGB Scheme | SGB Youngman Scheme |
|-------------------------------------|---------------|---------------------|
| Market value of the schemes' assets | 169.6 million | £16.2 million |
| Level of funding | 117% | 121% |

The main assumptions made by the actuaries were:

| | | |
|---|----------|----------|
| Investment return: Pre-retirement | 7.0% | 7.0% |
| Post-retirement | 5.5% | 5.5% |
| General salary increases | 4.5% | 4.5% |
| Increases in pensions in excess of GMP | 3.0% | 3.0% |
| Average future working lifetime of active members | 11 years | 17 years |

Total pension charge in 2000 was £1,525,000. The surplus revealed by the valuations is being spread over the average future lives of the active members.

Harsco Investment Limited

Notes to the financial statements for the 8 months ended 31 December 2000 (continued)

22 Operating lease commitments

Annual charges under non cancellable operating leases to which the Group is committed at 31 December 2000:

| | Land and buildings | Other | Total |
|-----------------------------|-----------------------|--------|--------|
| | £'000 | £'000 | £'000 |
| On leases expiring : | | | |
| Within one year | 531 | 4,722 | 5,253 |
| Between one and two years | 1,053 | 4,917 | 5,970 |
| Between two and five years | 1,455 | 9,497 | 10,952 |
| After five years | 3,125 | 160 | 3,285 |
| | 6,164 | 19,296 | 25,460 |

23 Related party transactions

During the period the Group supplied £4.6m of goods and services to Salamis/SGB Limited, a joint venture company, on normal commercial terms.

At 31 December 2000 there were no amounts owing either to or from Salamis/SGB Limited.

The company has taken advantage of the exemptions under paragraph 3(c) of Financial Reporting Standard Number 8 and has not disclosed any transactions with other group companies.

24 Cash flow

A consolidated cash flow statement is presented in the financial statements of Harsco Corporation. In accordance with the exemption available under Financial Reporting Standard 1 (revised), no cash flow statement is presented in these financial statements.

25 Ultimate parent undertaking

Harsco Corporation, a company incorporated in the United States of America, is the company's ultimate controlling entity and the ultimate parent company for which group financial statements are drawn up. Copies of group financial statements in respect of Harsco Corporation may be obtained from Harsco Corporation, 350 Poplar Church Road, P.O. Box 8888, Camp Hill, Pennsylvania 17001-8888, USA.

Harsco Investment Limited

Notes to the financial statements for the 8 months ended 31 December 2000 (continued)

26 Acquisitions

During the year, the group acquired the following companies; SGB Group Plc, Heckett Multiserv International BV, Harsco Europa BV, Heckett Multiserv International Limited and Heckett International Services Limited. All of these purchases have been accounted for as acquisitions.

The fair values attributed to the net assets acquired are shown below:

| | SGB Group Plc (See note 26(a)) £'000 | HMS International BV (See note 26(b)) £'000 | Heckett Multiserv Investment Limited (See note 26(c)) £'000 | Others (See note 26 (d)) £'000 | Total book value £'000 | Total adjustments £'000 | Provisional fair value to the group £'000 |
|------------------------|--|--|---|---|---------------------------------|-------------------------------|---|
| Fixed assets | 154,765 | 83,630 | 37,839 | 5,735 | 281,969 | (21,232) | 260,737 |
| Investments | 744 | - | 587 | - | 1,331 | - | 1,331 |
| Patents | - | - | 482 | - | 482 | - | 482 |
| Stock | 27,716 | 6,192 | 1,115 | 789 | 35,812 | 958 | 36,770 |
| Debtors | 81,142 | 130,645 | 40,870 | 94,792 | 347,449 | 30,227 | 377,676 |
| Cash | 14,661 | 19,090 | 18,058 | 238 | 52,047 | - | 52,047 |
| Creditors | (140,196) | (117,216) | (80,523) | (91,813) | (429,748) | (827) | (430,575) |
| Provisions | (14,734) | (8,897) | (8,619) | (635) | (32,885) | (11,746) | (44,361) |
| Minority interest | (124) | (5,348) | (69) | (44) | (5,585) | 98 | (5,487) |
| Net assets acquired | 123,974 | 108,096 | 9,740 | 9,065 | 250,875 | (2,522) | 248,350 |
| Goodwill | | | | | | | 175,531 |
| Consideration | | | | | | | 423,881 |
| Satisfied by: | | | | | | | |
| Shares issued | | | | | | | 230,000 |
| Cash | | | | | | | 193,881 |
| | | | | | | | 423,881 |

Harsco Investment Limited

Notes to the financial statements for the 8 months ended 31 December 2000 (continued)

26 Acquisitions (continued)

The following fair value adjustments were made to the book value of the assets and liabilities of the above acquisitions:

| | SGB Group plc | HMS International BV | Heckett Multiserv Investment Limited | Others | Total |
|--|------------------|----------------------------|---|--------|----------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Accounting policy | | | | | |
| Recognition of pension surplus | 18,400 | - | 14,859 | - | 33,259 |
| Recognition of provision for liabilities: deferred taxation on the above adjustments | (5,520) | - | (4,458) | - | (9,978) |
| Revaluations | | | | | |
| Tangible fixed assets | (21,232) | - | - | - | (21,232) |
| Reassessment of inventory to net realisable value | 958 | - | - | - | 958 |
| Recognition of provision for liabilities: deferred taxation on the above adjustments | 5,937 | - | - | - | 5,937 |
| Other | | | | | |
| Recognition of insurance liability | (2,225) | - | - | - | (2,225) |
| Provision for losses on onerous leases | (6,123) | - | - | - | (6,123) |
| Other liabilities not fully reflected in balance sheet at date of acquisition | (3,118) | - | - | - | (3,118) |
| | (12,923) | - | 10,401 | - | (2,522) |

The fair value adjustments contain some provisional amounts, which will be finalised in the 2001 financial statements when the detailed investigation has been completed.

Other liabilities not fully reflected in the balance sheet relate primarily to a reassessment of receivables to their recoverable amount.

Harsco Investment Limited

Notes to the financial statements for the 8 months ended 31 December 2000 (continued)

26 Acquisitions (continued)

26(a) The group purchased SGB Group plc on 16 June 2000 for a consideration of £193,881,000.

From the date of acquisition to 31 December 2000, SGB Group plc contributed £152,698,000 to turnover, £7,957,000 to profit before interest and £4,555,000 to profit after interest.

In its last financial year to 31 December 1999, SGB Group plc made a profit after tax and minority interests of £13,300,000.

For the period since that date to the date of acquisition, SGB Group plc management accounts show:

| | £'000 |
|---|---------|
| Turnover | 126,692 |
| Operating profit before exceptional items | 4,218 |
| Exceptional items | (5,029) |
| Operating profit after exceptional items | (811) |
| Loss before taxation | (2,816) |
| Taxation and minority interests | (608) |
| Loss attributable to share holders | (3,424) |

26(b) The group purchased Heckett Multiserv International BV on the last day of the financial year ended 31 December 2000, for a consideration of £167,500,000 and as a result has not contributed to the results of the Group.

In its last financial year to 31 December 1999, Heckett Multiserv International BV made a profit after tax and minority interests of £14,654,000.

Harsco Investment Limited

Notes to the financial statements for the 8 months ended 31 December 2000 (continued)

26 Acquisitions (continued)

For the period since that date to the date of acquisition, Heckett Multiserv International BV management accounts show:

| | £'000 |
|--|--------------|
| Turnover | 186,107 |
| Operating profit | 30,752 |
| Profit before taxation | 25,456 |
| Taxation | (10,267) |
| Profit attributable to share holders | 15,189 |
| Exchange adjustments | (5,763) |
| Total recognised gains for the period | 9,426 |

- 26(c) The group purchased Heckett Multiserv Investment Limited on the last day of the financial year ended 31 December 2000, for a consideration of £46,000,000, and as a result has not contributed to the results of the Group.

In its last financial year to 31 December 1999, Heckett Multiserv Investment Limited made a profit after tax and minority interests of £3,395,000.

For the period since that date to the date of acquisition, Heckett Multiserv Investment Limited management accounts show:

| | £'000 |
|--|--------------|
| Turnover | 91,968 |
| Operating profit | 10,897 |
| Profit before taxation | 4,568 |
| Taxation | (1,057) |
| Profit attributable to share holders | 3,511 |
| Exchange adjustments | 909 |
| Total recognised gains for the period | 4,420 |

- 26(d) On the last day of the financial year, the Group acquired the business and net assets of Harsco Europa BV and Heckett International Services Limited for a consideration of £16,500,000. These acquisitions did not contribute to the results of the group for the period. No fair value adjustments were made to the assets and liabilities acquired.