

S.I.T.A. (GB) Limited

Directors' report and
consolidated financial statements

31 December 1997

Registered Number: 2291198



S.I.T.A. (GB) Limited
Directors' report and consolidated financial statements

<i>Contents</i>	<i>Page</i>
Directors, officers and advisors	1 - 2
Directors' report	3 - 5
Auditors' report	6
Consolidated profit and loss account	7
Consolidated balance sheet	8
Company balance sheet	9
Consolidated statement of total recognised gains and losses	10
Notes	11 - 30

S.I.T.A. (GB) Limited
Directors, officers and advisors

Directors:

A.R. Barlow
M. Blusztajn
P. Carneau
C. Doble
E. Houdart
J.F. Pétry
D. Pin

Secretaries:

Clifford Chance Secretaries Limited
200 Aldersgate Street
London
EC1A 4JJ

SJ Thorne

Auditors:

Arthur Andersen
Abbots House
Abbey Street
Reading
RG1 3BD

Solicitors:

Berrymans Lace Mawer
Castle Chambers
43 Castle Street
Liverpool
L2 9SU

Bond Pearce
Darwin House
Southernhay Gardens
Southernhay East
Exeter
EX1 1LA

Taylor Joynson Garrett
Carmelite
50 Victoria Embankment
Blackfriars
London
EC4Y 0DX

Bankers:

Banque Nationale de Paris
8-13 King William Street
London
EC4P 4HS

Crédit Commercial de France
Peninsular House
36 Monument Street
London
EC3R 8LJ

S.I.T.A. (GB) Limited

Directors, officers and advisors (*continued*)

Bankers (*continued*):

Crédit du Nord
66 Mark Lane
London
EC3R 7HS

Crédit Lyonnais
P.O. Box 81
Broadwalk House
5 Appold Street
London
EC2A 2JP

Société Générale
Exchange House
Primrose Street
London
EC2A 2HT

Registered Office:

200 Aldersgate Street
London
EC1A 4JJ

S.I.T.A. (GB) Limited

Directors' report

The directors present their report and the financial statements of the Group for the year ended 31 December 1997.

Principal activities

The Group's principal activities during the year continued to be the provision of municipal services, industrial and commercial waste collection, and the recycling, treatment and disposal of waste, utilising both landfill and waste-to-energy incineration.

The subsidiary undertakings principally affecting the profits or net assets of the Group in the year are listed in note 11 to the financial statements.

Business review

The Group's consolidated turnover increased by 25% to £183 million, with profit after taxation and minority interests growing 2% to £2.52 million, which represented a satisfactory level of performance.

Each of the major business divisions (municipal services provision, landfill operations and waste-to-energy activities) showed reasonable growth in turnover and profit, as a result of continuing management efforts to maintain tight control of operating costs.

However, some significant trading problems were experienced within Historic Property Restoration Ltd, a business acquired in 1996 from English Heritage. Major management changes have been made in respect of this situation and it is anticipated that some improvement will be noticeable in 1998.

There were no significant acquisitions during the year, the increases in turnover being largely due to a full year's contribution from the Quadron Group and Nene Valley Waste Ltd, both of which were acquired in mid-1996.

Trading for the first quarter of the fiscal year 1998 has continued to be satisfactory – the acquisition by SITA sa of all the non-American interests of Browning-Ferris Inc, which was completed on 31 March 1998, will result in a substantial increase in the Group's activities in the UK.

Results and dividends

The results for the year ended 31 December 1997 are shown in the profit and loss account on page 7. The profit for the year after taxation and minority interests was £2,524,000 (1996: £2,471,000).

The directors recommend the payment of a dividend of £1,700,000 (1996: £800,000).

Charitable donations

During the year the group made charitable donations totalling £1,400.

S.I.T.A. (GB) Limited

Directors' report *(continued)*

Employees

The Group's policy is to ensure the health and safety and welfare of everyone engaged in, or affected by its activities. Within the limitations of its business, the Group's policy is to engage disabled persons on standard terms of employment. Opportunities for career advancement are available to disabled persons.

The success of our business depends upon maintaining a highly qualified and well-motivated work force and every effort is made to achieve a common awareness of the financial and economic factors affecting the performance of the Group.

Fixed assets

In the opinion of the directors, there is no material difference between the book value and the current open market value of the Group's interest in land and buildings.

Directors and their interests

The directors who held office during the year were as follows:

A.R. Barlow
M. Blusztajn (appointed 2 December 1997)
P. Carneau
P. de la Chapelle (resigned 7 February 1997)
C. Doble (appointed 23 March 1998)
E. Houdart
J-C. Lebel (resigned 1 November 1997)
J.F. Pétry (appointed 24 January 1997)
D. Pin (appointed 2 December 1997)
T. Schwarz (resigned 6 November 1997)
M. Taylor (appointed 12 March 1997, resigned 1 November 1997)

The directors have no beneficial interests required to be disclosed under Schedule 7 of the Companies Act 1985.

Post balance sheet event

On 22 January 1998 the Group made an offer to purchase the entire issued share capital of Hafod Quarries Limited for the provisional sum of £4,850,000. The irrevocable acceptance of the shareholders of Hafod Quarries Limited has been obtained, and the sale is now contingent only upon the granting of a waste management licence for the landfill site owned by Hafod Quarries Limited. An agreement was entered into on the same date to transfer the sum of £242,500 into an Escrow account, jointly controlled by the solicitors of Shropshire Waste Management Limited and Hafod Quarries Limited. This sum is not refundable if the offer does not proceed.

S.I.T.A. (GB) Limited

Directors' report *(continued)*

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 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, 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 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 the group 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of Arthur Andersen as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By Order of the Board



P Carneau
Director

5 June 1998

Auditors' report

To the shareholders of S.I.T.A. (GB) Limited

We have audited the financial statements on pages 7 to 30, which have been prepared under the historical cost convention and the accounting policies set out on pages 11 to 13.

Respective responsibilities of directors and auditors

As described on page 5 the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial 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 group'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 affairs of the company and the group as at 31 December 1997 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen

Chartered Accountants and Registered Auditors

Abbots House
Abbey Street
Reading
RG1 3BD

5 June 1998

S.I.T.A. (GB) Limited
Consolidated profit and loss account
for the year ended 31 December 1997

		1997	1996
	Note	£'000	£'000
Turnover	2	183,231	147,430
Raw materials and consumables		(25,792)	(19,571)
Other external charges		(54,399)	(39,624)
		(80,191)	(59,195)
		103,040	88,235
Staff Costs	5	(70,182)	(62,186)
Depreciation	4	(8,500)	(6,635)
Other operating charges		(14,117)	(9,315)
		(92,799)	(78,136)
Operating profit		10,241	10,099
Interest receivable		207	883
Interest payable	3	(3,844)	(3,194)
Profit on ordinary activities before taxation	4	6,604	7,788
Taxation	7	(3,130)	(3,499)
Profit on ordinary activities after taxation		3,474	4,289
Minority interests - equity	23	(950)	(1,818)
Profit for the financial year		2,524	2,471
Proposed dividend	8	(1,700)	(800)
Retained profit for the financial year	21	<u>824</u>	<u>1,671</u>


There is no material difference between the profits shown above and their historical cost equivalents.

The notes on pages 11 to 30 form part of these financial statements.

S.I.T.A. (GB) Limited
Consolidated balance sheet
as at 31 December 1997

		1997		1996	
	Note	£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	10		78,519		73,759
Current assets					
Stocks	13	4,401		3,226	
Debtors	14	39,104		37,716	
Deferred costs	15	1,457		2,120	
Cash at bank and in hand		<u>5,913</u>		<u>3,704</u>	
		50,875		46,766	
Creditors: amounts falling due within one year	16	<u>(56,257)</u>		<u>(69,822)</u>	
Net current (liabilities)/ assets:					
Due within one year		(7,210)		(25,802)	
Due after more than one year		<u>1,828</u>		<u>2,746</u>	
Total net current liabilities			<u>(5,382)</u>		<u>(23,056)</u>
Total assets less current liabilities			73,137		50,703
Creditors: amounts falling due after more than one year	17		<u>(34,761)</u>		<u>(13,753)</u>
Provisions for liabilities and charges	19		<u>(8,173)</u>		<u>(6,684)</u>
Net assets			<u>30,203</u>		<u>30,266</u>
Capital and Reserves					
Called up share capital	20		10,131		10,131
Share premium	21		11,733		11,733
Capital redemption reserve	21		60		60
Profit and loss account	21		3,936		3,567
Goodwill reserve	21		<u>(19,488)</u>		<u>(19,488)</u>
Equity shareholder's funds	22		6,372		6,003
Equity minority interests	23		<u>23,831</u>		<u>24,263</u>
			<u>30,203</u>		<u>30,266</u>

These financial statements were approved by the board of directors on 5 June 1998 and were signed on its behalf by:



P Carneau
Director

The notes on pages 11 to 30 form part of these financial statements.

S.I.T.A. (GB) Limited
Company balance sheet
as at 31 December 1997

		1997		1996	
	Notes	£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	10		10,829		8,094
Investments	11		<u>35,039</u>		<u>35,539</u>
			45,868		43,633
Current assets					
Stock	13	900		811	
Debtors	14	35,083		34,225	
Deferred costs	15	532		589	
Cash at bank and in hand		<u>2,470</u>		<u>48</u>	
		38,985		35,673	
Creditors: amounts falling due within one year	16	<u>(35,309)</u>		<u>(44,626)</u>	
Net current assets/(liabilities):					
Due within one year		3,044		(9,557)	
Due after more than one year		<u>632</u>		<u>604</u>	
Total net current assets/(liabilities)			<u>3,676</u>		<u>(8,953)</u>
Total assets less current liabilities			49,544		34,680
Creditors: amounts falling due after more than one year	17		(26,961)		(12,373)
Provisions for liabilities and charges	19		(458)		-
			<u>22,125</u>		<u>22,307</u>
Capital and Reserves					
Called up share capital	20		10,131		10,131
Share premium	21		11,733		11,733
Capital redemption reserve	21		60		60
Profit and loss account	21		<u>201</u>		<u>383</u>
Equity shareholder's funds	22		<u>22,125</u>		<u>22,307</u>

These financial statements were approved by the board of directors on 5 June 1998 and were signed on its behalf by:



P Carneau
Director

The notes on pages 11 to 30 form part of these financial statements.

S.I.T.A. (GB) Limited

Consolidated statement of total recognised gains and losses

for the year ended 31 December 1997

	1997 £'000	1996 £'000
Retained profit for the financial year	824	1,671
Goodwill on acquisition of unincorporated business	(455)	-
Repurchase of own shares	<u>-</u>	<u>(308)</u>
Total recognised gains and losses relating to the year and since the last annual report and financial statements	<u>369</u>	<u>1,363</u>

The notes on pages 11 to 30 form part of these financial statements.

S.I.T.A. (GB) Limited

Notes

(forming part of the financial statements)

1. **Accounting Policies**

The following accounting policies have been applied consistently throughout the year and the preceding year in dealing with items which are considered material in relation to the Group's financial statements.

*a. **Basis of accounting***

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

*b. **Cash flow statement***

The company is exempt from the requirement of FRS 1 (revised) to prepare a cash flow statement as it is wholly owned subsidiary undertaking of SITA SA and the consolidated financial statements of that company are publicly available.

*c. **Basis of consolidation***

The group financial statements comprise the financial statements of the company and its subsidiary undertakings. All subsidiary undertakings have prepared financial statements to 31 December.

Participating interests in undertakings are consolidated as subsidiary undertakings where the Group considers that it exercises a dominant influence over that undertaking on the basis of guidance of its operations.

In the Company's financial statements, investments in subsidiary undertakings are stated at cost. Dividends received and receivable are credited to the Company's profit and loss account to the extent that they represent a realised profit for the Company.

*d. **Goodwill***

Consolidated goodwill arising on acquisition of a subsidiary represents the difference between the fair value of the consideration given and the aggregate of the accounting values of separable net assets acquired. The group eliminates consolidated goodwill by immediate write off to reserves on consolidation.

*e. **Turnover***

Turnover is the total amount receivable by the group in the ordinary course of business for services supplied including Landfill Tax charged, excluding VAT.

S.I.T.A. (GB) Limited

Notes *(continued)*

1. **Accounting Policies** *(continued)*

f. **Depreciation**

Depreciation of fixed assets is charged so as to write off their full cost or valuation less estimated residual value over their expected useful lives.

The periods applicable are:

Freehold land (excluding landfill sites)	-	not depreciated
Buildings	-	20 years
Freehold landfill sites	-	over the period of usage of the site
Short leasehold land and buildings	-	over the term of the lease
Plant and equipment	-	4 to 15 years
Fixtures and fittings	-	5 to 10 years
Motor vehicles	-	4 to 10 years

No depreciation is charged on freehold or short leasehold landfill sites that are not in use.

g. **Stocks**

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

h. **Deferred costs**

Contract procurement and reorganisation costs are charged to the profit and loss account except where it is appropriate to defer the charge over the life of the contract where their recoverability can be foreseen with reasonable assurance. Expenditure in respect of initial landfill site preparation is charged to the profit and loss account over the operational life of the site. The amounts carried forward at the year end are included under current assets as deferred costs.

i. **Site restoration and maintenance**

The group provides for site restoration and post-closure maintenance costs over the operating lives of landfill sites as air space is used and income generated. The costs include such items as the final cap on the site, gas and leachate management, groundwater monitoring and final restoration. To the extent that similar costs are incurred during the active life of the site, they are expensed as incurred.

S.I.T.A. (GB) Limited

Notes *(continued)*

1. **Accounting Policies** *(continued)*

j. **Taxation**

Corporation tax payable is provided on taxable profits at the current rate. Payment is made for losses surrendered by Group companies at an appropriate rate.

Deferred taxation is provided under the liability method on all material timing differences between profits computed for taxation purposes and profits as stated in the financial statements, to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

k. **Leases**

Where the group enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

Rentals under operating leases are charged to the profit and loss account on a straight-line basis over the life of the lease.

l. **Pension costs**

The group participates in a number of defined benefit pension schemes, the assets of which are held separately from those of the group in independently administered funds. Contributions to the schemes are charged to the profit and loss account so as to spread the regular cost of pensions over the employees' service lives within the group. Variances from regular cost are spread over the remaining service lives of the current employees.

The group also participates in a number of defined contribution pension schemes, the assets of which are held separately from those of the group in independently administered funds. Contributions to these schemes are charged to the profit and loss account as they become payable.

2. **Turnover**

Turnover and profit before taxation are attributable to the principal activities of the group and arise wholly in the United Kingdom.

S.I.T.A. (GB) Limited

Notes (continued)

3. Interest payable	1997	1996
	£'000	£'000
Comprises interest on:		
Bank loans and overdrafts	3,680	2,789
Loan from parent undertaking	-	333
Interest paid under finance leases	140	60
Other finance charges	<u>24</u>	<u>12</u>
	<u>3,844</u>	<u>3,194</u>
4. Profit on ordinary activities before taxation	1997	1996
	£'000	£'000
<i>Is stated after charging:</i>		
Operating lease rentals:		
Land and buildings	1,687	1,354
Plant and machinery	3,679	3,320
Depreciation:		
Owned assets	7,991	6,367
Leased assets	509	268
Fees charged by the group's auditors:		
Arthur Andersen - audit fees	102	102
- other services	195	81
Other auditors - audit fees	17	16
- other services	<u>3</u>	<u>9</u>
5. Staff costs		
a) Staff costs during the year including directors amounted to:	1997	1996
	£'000	£'000
Wages and salaries	62,547	55,334
Social security costs	5,105	4,561
Other pension costs	<u>2,530</u>	<u>2,291</u>
	<u>70,182</u>	<u>62,186</u>
	Number of Employees	
	1997	1996
b) The average number of persons employed during the year was made up as follows:-		
Office and management	586	478
Operational	<u>4,511</u>	<u>3,825</u>
	<u>5,097</u>	<u>4,303</u>

S.I.T.A. (GB) Limited

Notes *(continued)*

6. Directors' emoluments

Remuneration paid to the directors of the company during the year, including benefits in kind and pension, amounted to:

	1997 £'000	1996 £'000
Emoluments	157	255
Company contributions to money purchase schemes	<u>15</u>	<u>139</u>
	<u>172</u>	<u>394</u>
Number of directors to whom retirement benefits are accruing under money purchase schemes in respect of qualifying services	<u>1</u>	<u>2</u>

In addition, one director received remuneration from the Parent Company, SITA S.A.

7. Taxation

	1997 £'000	1996 £'000
Corporation tax at 31.5% (1996: 33%)	3,365	2,722
Adjustment in respect of previous years	(397)	3
Deferred taxation (note 19)	<u>162</u>	<u>774</u>
	<u>3,130</u>	<u>3,499</u>

8. Dividends paid and proposed

	1997 £'000	1996 £'000
Final proposed dividend	<u>1,700</u>	<u>800</u>

9. Profit and loss account

The company has taken advantage of Section 230 of the Companies Act 1985 and has not presented its own profit and loss account. In the year under review, the company made a profit after taxation of £1,973,000 (1996: profit of £561,000).

S.I.T.A. (GB) Limited

Notes (continued)

10. Tangible fixed assets

a) The Group

	<u>Land and Buildings</u>		<u>Fixtures and</u>	<u>Plant and</u>	<u>Motor</u>	<u>Total</u> £'000
	<u>Freehold</u> £'000	<u>Short Leasehold</u> £'000	<u>Fittings</u> £'000	<u>Equipment</u> £'000	<u>Vehicles</u> £'000	
<i>Cost</i>						
At beginning of year	34,246	3,095	5,078	47,540	1,148	91,107
Transfers	-	-	(95)	95	-	-
Additions	1,987	1,575	1,962	7,322	656	13,502
Disposals	<u>-</u>	<u>-</u>	<u>(65)</u>	<u>(699)</u>	<u>(34)</u>	<u>(798)</u>
At end of year	<u>36,233</u>	<u>4,670</u>	<u>6,880</u>	<u>54,258</u>	<u>1,770</u>	<u>103,811</u>
<i>Depreciation</i>						
At beginning of year	4,222	626	2,032	10,056	412	17,348
Transfers	-	-	(14)	14	-	-
Charge for the year	1,124	432	1,188	5,476	280	8,500
Eliminated on disposals	<u>-</u>	<u>-</u>	<u>(42)</u>	<u>(489)</u>	<u>(25)</u>	<u>(556)</u>
At end of year	<u>5,346</u>	<u>1,058</u>	<u>3,164</u>	<u>15,057</u>	<u>667</u>	<u>25,292</u>
<i>Net book value</i>						
At 31 December 1997	<u>30,887</u>	<u>3,612</u>	<u>3,716</u>	<u>39,201</u>	<u>1,103</u>	<u>78,519</u>
At 31 December 1996	<u>30,024</u>	<u>2,469</u>	<u>3,046</u>	<u>37,484</u>	<u>736</u>	<u>73,759</u>

Leased assets included in the above:

Net book value

At 31 December 1997	=	<u>3,615</u>	<u>5</u>	<u>43</u>	=	<u>3,663</u>
At 31 December 1996	=	<u>2,469</u>	<u>67</u>	<u>62</u>	<u>8</u>	<u>2,606</u>

The gross amount of freehold land and buildings on which depreciation was provided in the year was £19,755,000 (1996: £22,156,000).

S.I.T.A. (GB) Limited
Notes (continued)

10. Tangible fixed assets (continued)

b) The Company

	<u>Land and Buildings</u>		<u>Fixtures and</u>	<u>Plant and</u>	<u>Motor</u>	<u>Total</u> £'000
	<u>Freehold</u>	<u>Leasehold</u>	<u>Fittings</u>	<u>Equipment</u>	<u>Vehicles</u>	
	£'000	£'000	£'000	£'000	£'000	
Cost						
At beginning of year	-	600	3,903	11,168	13	15,684
Additions	640	-	1,298	3,995	-	5,933
Disposals	—	—	(51)	(495)	—	(546)
At end of year	<u>640</u>	<u>600</u>	<u>5,150</u>	<u>14,668</u>	<u>13</u>	<u>21,071</u>
Depreciation						
At beginning of year	-	360	1,732	5,485	13	7,590
Charge for the year	3	120	860	2,084	-	3,067
Eliminated on disposals	—	—	(33)	(382)	—	(415)
At end of year	<u>3</u>	<u>480</u>	<u>2,559</u>	<u>7,187</u>	<u>13</u>	<u>10,242</u>
Net book value						
At 31 December 1997	<u>637</u>	<u>120</u>	<u>2,591</u>	<u>7,481</u>	<u>—</u>	<u>10,829</u>
At 31 December 1996	—	<u>240</u>	<u>2,171</u>	<u>5,683</u>	<u>—</u>	<u>8,094</u>

S.I.T.A. (GB) Limited
Notes *(continued)*

11. Investments

The Company	Investment in Subsidiaries £'000
Cost	
At 1 January 1997 and 31 December 1997	<u>35,539</u>
Provisions	
Provided in year	<u>500</u>
At 31 December 1997	<u>500</u>
Net book value	
At 31 December 1997	<u><u>35,039</u></u>
At 31 December 1996	<u><u>35,539</u></u>

The principal subsidiary undertakings of the group are as follows:

	Principal activity	Class and percentage of shares held	
		Group	Company
Historic Property Restoration Limited	Specialist buildings and grounds maintenance services	50% Ordinary Shares	50%
LondonWaste Limited	Waste disposal and electricity Generation	50% Ordinary Shares	50%
Midland Land Reclamation Limited	Management of landfill sites	100% Ordinary Shares	100%
Nene Valley Waste Limited	Management of landfill sites and collection of waste	100% Ordinary Shares	-
Quadron Services Limited	Municipal Services	100% Ordinary Shares	100%
Quadron Rushmoor Limited	Municipal Services	100% Ordinary Shares	-
Shropshire Waste Management Limited	Management of landfill sites	80% Ordinary Shares	80%
S.I.T.A. Contract Services Limited	Municipal Services	100% Ordinary Shares	100%

S.I.T.A. (GB) Limited

Notes (continued)

12. Acquisition of unincorporated business

Group and company

On 26 August 1997 the company acquired the dry waste collection business of Ecoclear Limited for cash consideration. The fair value of the total consideration was £1,500,000.

The company has recorded the assets acquired at their fair value. The resulting difference arising has been debited to the profit and loss reserve.

The following table sets out the fair value of the identifiable assets acquired:

	Book and Fair Value £'000
Tangible fixed assets	1,045
Goodwill	<u>455</u>
Satisfied by:	
Cash	<u>1,500</u>

Net cash outflows in respect of the acquisition comprised:

	£'000
Cash consideration	<u>(1,500)</u>

13. Stocks

	1997 £'000	1996 £'000
a) The Group		
Raw materials and consumables	3,423	2,973
Work in progress	<u>978</u>	<u>253</u>
	<u>4,401</u>	<u>3,226</u>
b) The Company		
Raw materials and consumables	<u>900</u>	<u>811</u>

There is no material difference between the balance sheet value of stocks and their replacement cost.

S.I.T.A. (GB) Limited

Notes (continued)

14. Debtors

	1997 £'000	1996 £'000
a) The Group		
<i>Amounts falling due within one year</i>		
Trade debtors	21,545	20,393
Amounts owed by parent and fellow subsidiary undertakings	290	805
Other debtors	498	629
ACT recoverable	686	619
Prepayments and accrued income	<u>14,963</u>	<u>14,378</u>
	37,982	36,824
<i>Amounts falling due after more than one year</i>		
ACT recoverable	<u>1,122</u>	<u>892</u>
	<u>39,104</u>	<u>37,716</u>
b) The Company		
<i>Amounts falling due within one year</i>		
Trade debtors	6,915	6,511
Amounts owed by parent and fellow subsidiary undertakings	290	306
Amounts owed by subsidiary undertakings	11,991	15,341
Other debtors	32	280
Deferred tax (note 19)	-	23
Proposed dividends receivable	6,133	2,988
Corporation tax	94	94
Prepayments and accrued income	<u>9,203</u>	<u>8,482</u>
	34,658	34,025
<i>Amounts falling due after more than one year</i>		
ACT recoverable	<u>425</u>	<u>200</u>
	<u>35,083</u>	<u>34,225</u>

S.I.T.A. (GB) Limited

Notes (continued)

15. Deferred costs

	1997 £'000	1996 £'000
a) The Group		
Contract procurement costs	898	1,109
Reorganisation costs	115	187
Site preparation costs	<u>444</u>	<u>824</u>
	<u>1,457</u>	<u>2,120</u>
<i>Amounts to be released:</i>		
Within one year	583	885
After one year	<u>874</u>	<u>1,235</u>
	<u>1,457</u>	<u>2,120</u>
b) The Company	1997 £'000	1996 £'000
Contract procurement costs	<u>532</u>	<u>589</u>
<i>Amounts to be released:</i>		
Within one year	207	185
After one year	<u>325</u>	<u>404</u>
	<u>532</u>	<u>589</u>

16. Creditors: amounts falling due within one year

a) The Group	1997 £'000	1996 £'000
Obligations under finance leases and hire purchase contract	134	118
Bank loans and overdrafts (note 17)	23,978	34,224
Trade creditors	7,339	6,713
Other taxes and social security	5,602	5,741
Other creditors	1,215	2,023
Accruals and deferred income	9,452	14,158
Corporation tax	4,333	3,179
ACT payable on proposed dividends	1,122	1,511
Dividends payable to minority shareholders	1,382	1,355
Proposed dividend	<u>1,700</u>	<u>800</u>
	<u>56,257</u>	<u>69,822</u>

S.I.T.A. (GB) Limited

Notes (continued)

16. Creditors: amounts falling due within one year (continued)

b) The Company	1997 £'000	1996 £'000
Bank loans and overdraft	21,500	32,914
Amounts owed to subsidiary undertakings	2,798	1,800
Trade creditors	2,890	1,851
Other creditors	460	683
Accruals and deferred income	4,276	4,707
Other taxes and social security	1,260	1,671
ACT payable on proposed dividends	425	200
Proposed dividend	1,700	800
	<u>35,309</u>	<u>44,626</u>

17. Creditors: amounts falling due after more than one year

a) The Group	1997 £'000	1996 £'000
Obligations under finance leases and hire purchase contracts	1,138	1,270
Bank loan	33,320	12,118
Other creditors	303	365
	<u>34,761</u>	<u>13,753</u>

Included in bank loans (long and short-term) is an amount of £20,100,000 (1996: £13,000,000) owed by a subsidiary undertaking. This is secured by a fixed and floating charge over the freehold property and all existing assets of that subsidiary as at 13 November 1995 and all assets relating to work carried out under a Retrofit contract including any replacement or upgrades thereof.

b) The Company	1997 £'000	1996 £'000
Bank loans	15,000	-
Amount due to subsidiary undertaking	11,659	12,009
Other creditors	302	364
	<u>26,961</u>	<u>12,373</u>

The amount due to subsidiary undertaking is interest bearing and represents a loan in the form of a commitment to provide airspace over a period of up to 20 years from 15 December 1994.

S.I.T.A. (GB) Limited

Notes (continued)

17. Creditors: amounts falling due after more than one year (continued)

Obligations under finance leases and hire purchase contracts:

	1997	1996
The Group	£'000	£'000
Amounts payable		
- within one year	134	118
- within two to five years	512	504
- after five years	<u>626</u>	<u>766</u>
	<u>1,272</u>	<u>1,388</u>

18. Borrowings

Borrowings are analysed as follows:

	1997	1996
a) The Group	£'000	£'000
Bank loans and overdrafts	<u>57,298</u>	<u>46,342</u>
Due within one year (note 16)	23,978	34,224
Due after more than one year (note 17)	<u>33,320</u>	<u>12,118</u>
	<u>57,298</u>	<u>46,342</u>
Bank overdrafts – on demand	698	777
Other loans		
Within one year	23,280	33,447
Within one to two years	1,760	1,765
Within two to five years	26,280	8,794
After five years	<u>5,280</u>	<u>1,559</u>
	<u>57,298</u>	<u>46,342</u>
b) The Company	1997	1996
	£'000	£'000
Bank loans and overdrafts	<u>36,500</u>	<u>32,914</u>
Due within one year	21,500	32,914
Due after more than one year	<u>15,000</u>	<u>-</u>
	<u>36,500</u>	<u>32,914</u>
Bank overdrafts – on demand	-	414
Other loans		
Within one year	21,500	32,500
Within two to five years	<u>15,000</u>	<u>-</u>
	<u>36,500</u>	<u>32,914</u>

S.I.T.A. (GB) Limited

Notes (continued)

19. Provisions for liabilities and charges

	The Group		The Company	
	1997	1996	1997	1996
	£'000	£'000	£'000	£'000
Provision for site restoration and maintenance	4,945	4,190	-	-
Deferred taxation	1,794	1,632	15	(23)
Provision for redundancy costs	132	-	-	-
Provision for legal claims	340	543	-	-
Provision for environmental costs	319	319	-	-
Provision for future losses	<u>643</u>	<u>-</u>	<u>443</u>	<u>-</u>
	<u>8,173</u>	<u>6,684</u>	<u>458</u>	<u>(23)</u>

Provision for site restoration and maintenance

The Group	1997	1996
	£'000	£'000
The movement on the provision comprises:		
At beginning of year	4,190	2,414
Provision on acquisition of landfill sites	-	1,082
Provided in year	<u>755</u>	<u>694</u>
At end of year	<u>4,945</u>	<u>4,190</u>

The provision has been estimated by the directors in accordance with accounting policy note 1(h).

Deferred taxation

a) The Group	1997		1996	
	Amount provided	Amount not provided	Amount provided	Amount not provided
	£'000	£'000	£'000	£'000
Tax losses	-	696	-	473
Provision for liabilities and charges	-	1,358	-	1,383
Accelerated capital allowances	(1,973)	(8)	(2,087)	37
Other timing differences	<u>179</u>	<u>-</u>	<u>455</u>	<u>66</u>
(Liability)/asset	<u>(1,794)</u>	<u>2,046</u>	<u>(1,632)</u>	<u>1,959</u>
			1997	1996
			£'000	£'000
The movement on the provision comprises:				
At beginning of year			1,632	824
Provision on acquisition of subsidiaries			-	34
Provided in year			<u>162</u>	<u>774</u>
At end of year			<u>1,794</u>	<u>1,632</u>

The provision for deferred taxation has been calculated based on a corporation tax rate of 31% (1996: 33%).

S.I.T.A. (GB) Limited

Notes (continued)

19. Provisions for liabilities and charges (continued)

Deferred taxation (continued)

b) The Company	1997		1996	
	Amount provided £'000	Amount not provided £'000	Amount provided £'000	Amount not provided £'000
Accelerated capital allowances	(152)	-	(95)	-
Other timing differences	<u>137</u>	<u>-</u>	<u>118</u>	<u>66</u>
(Liability)/asset	<u>(15)</u>	<u>-</u>	<u>23</u>	<u>66</u>

Deferred taxation has been calculated based on a corporation tax rate of 31% (1996: 33%).

Provision for redundancy costs

The Group	1997 £'000	1996 £'000
The movement on the provision comprises:		
At beginning of year	-	-
Provided in year	<u>132</u>	<u>-</u>
At end of year	<u>132</u>	<u>-</u>

Provision for legal claims

The Group		
The movement on the provision comprises:		
At beginning of year	543	-
Reclassification	-	250
Provided/(utilised) in year	<u>(203)</u>	<u>293</u>
At end of year	<u>340</u>	<u>543</u>

Provision for environmental costs

The Group		
The movement on the provision comprises:		
At beginning of year	319	-
Provided in year	<u>-</u>	<u>319</u>
At end of year	<u>319</u>	<u>319</u>

Provision for future losses

a) The Group		
The movement on the provision comprises:		
Provided in year	<u>643</u>	<u>-</u>
At end of year	<u>643</u>	<u>-</u>
b) The Company		
The movement on the provision comprises:		
Provided in year	<u>443</u>	<u>-</u>
At end of year	<u>443</u>	<u>-</u>

S.I.T.A. (GB) Limited

Notes (continued)

20.

Called up share capital

1997

1996

£'000

£'000

Authorised:

20,000,000 ordinary shares of £1 each

20,000

20,000

Allotted, called up and fully paid:

10,130,696 ordinary shares of £1 each

10,131

10,131

21.

Reserves

Profit and loss account

Goodwill

Share premium

Capital redemption reserve

Total

a)

The Group

At beginning of year

3,567

(19,488)

11,733

60

(4,128)

Retained profit for the year

824

-

-

-

824

Goodwill arising on acquisitions in the year

(455)

-

-

-

(455)

At end of year

3,936

(19,488)

11,733

60

(3,759)

b)

The Company

At beginning of year

383

-

11,733

60

12,176

Retained profit for the year

273

-

-

-

273

Goodwill arising on acquisitions in the year

(455)

-

-

-

(455)

At end of year

201

-

11,733

60

11,994

22.

Reconciliation of movement in equity shareholders' funds

1997

1996

£'000

£'000

a)

The Group

Profit for the financial year retained in the Group

824

1,671

New shares issued

-

60

Goodwill written off

(455)

(9,214)

Purchase of own shares

-

(308)

Net increase/(decrease) in equity shareholders' funds

369

(7,791)

Opening equity shareholders' funds

6,003

13,794

Closing equity shareholders' funds

6,372

6,003

S.I.T.A. (GB) Limited

Notes (continued)

22. Reconciliation of movement in equity shareholders' funds (continued)

b) The Company	1997 £'000	1996 £'000
Profit / (loss) for the financial year retained in the company	273	(239)
New share capital subscribed	-	60
Goodwill written off	(455)	-
Purchase of own shares	-	(308)
Net decrease in equity shareholders' funds	(182)	(487)
Opening equity shareholders' funds	<u>22,307</u>	<u>22,794</u>
Closing equity shareholders' funds	<u>22,125</u>	<u>22,307</u>

23. Minority interests

	Equity £'000
At beginning of year	24,263
Profit on ordinary activities after taxation	950
Dividends proposed	(1,382)
At end of year	<u>23,831</u>

24. Operating lease commitments

Annual commitments under non-cancellable operating leases are as follows:

Land and buildings	1997		1996	
	The Group £'000	The Company £'000	The Group £'000	The Company £'000
Leases expiring:				
Within one year	29	5	169	120
Between two and five years	685	246	396	116
Over five years	<u>824</u>	<u>116</u>	<u>1,052</u>	<u>115</u>
	<u>1,538</u>	<u>367</u>	<u>1,617</u>	<u>351</u>
Other operating leases				
Leases expiring:				
Within one year	507	144	700	266
Between two and five years	1,145	639	1,721	801
Over 5 years	-	-	99	-
	<u>1,652</u>	<u>783</u>	<u>2,520</u>	<u>1,067</u>

S.I.T.A. (GB) Limited

Notes (continued)

25. Contingent liabilities

The company has provided unsecured guarantees to third parties in respect of performance bonds. At 31 December 1997 guarantees outstanding amounted to £12,687,000 (1996: £14,995,000), including a bond for £1,704,000 (1996: £1,800,000) relating to a guarantee of a loan from a subsidiary company. Subsidiary undertakings have provided unsecured guarantees to third parties in respect of restoration and performance bonds. At 31 December 1997, guarantees outstanding for those subsidiaries amounted to £1,210,000 (1996: £1,030,000).

The company has guaranteed the performance of a subsidiary company, Historic Property Restoration Limited, on contracts with The Historic Buildings and Monuments commission for England (English Heritage).

26. Capital commitments

	1997 £'000	1996 £'000
The Group		
Authorised and contracted	<u>1,894</u>	<u>1,403</u>

There were no capital commitments outstanding for the Company at the year end (1996: £ nil).

27. Pension commitments

The group operates a number of pension schemes, the assets of which are held separately from those of the company.

Defined contributions schemes

Group

The pension cost charge for the year represents contributions payable by the group to the funds and amounted to £85,000 (1996: £45,000). At the year end contributions amounting to £10,000 (1996: £9,000) were payable to the funds and are included in creditors.

Company

Contributions to the company's defined contribution pension schemes amounting to £8,000 (1996: £8,000) were payable to the funds at the year end and are included in creditors.

S.I.T.A. (GB) Limited

Notes *(continued)*

27. Pension commitments *(continued)*

Defined benefit schemes

Group

Contributions to the group's defined benefit pension schemes are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the group. The contributions are determined by a qualified actuary.

The initial actuarial valuation of the S.I.T.A. Contract Services Limited Retirement Benefit Scheme was conducted as at 1 January 1995 using the projected unit method.

The latest actuarial valuation of the Quadron Services Limited Pension Scheme was conducted as at 6 April 1995 using the attained age method.

A triennial valuation as at 1 January 1997 has been completed for the LondonWaste Limited Pension Scheme using the projected unit method.

An actuarial valuation of the Historic Property Restoration Limited Retirement Benefits Scheme has not yet been performed due to the recent set up of this scheme.

Triennial valuations as at 1 January 1997 are currently being finalised for the remaining Group schemes.

The main assumptions used for the completed valuations were: a rate of increase in salaries 2% above inflation; an average investment return between 4% and 5% above inflation; and an increase in present and future pensions at the rate of inflation.

The valuation of the LondonWaste scheme showed that the market value of the scheme's assets was £2,609,000 and that the actuarial value of those assets represented 92% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The deficit is largely represented by the shortfall arising on the transfer of benefits from the Local Authority Scheme and will be met by making special contributions for individual members affected at each year end, at a rate to be calculated by the Actuary, and a lump sum contribution will not be required.

There is no variation from regular cost for the remaining Group schemes for which actuarial valuations have been accepted by the Trustees.

The contributions of the employer and employees range from 7% to 20% and 1.5% to 6% respectively.

The pension charged for the year in respect of these schemes was £2,051,000 (1996: £2,019,000). Contributions amounting to £129,000 (1996: £157,000) were payable to the funds at the year end and are included in creditors.

Company

Contributions to the company's defined benefit pension schemes amounting to £49,000 (1996: £58,000) were payable by the company to the funds at the year end and are included in creditors.

S.I.T.A. (GB) Limited

Notes *(continued)*

28. **Related party transactions**

Transactions with directors are disclosed in note 29.

The Company has taken advantage of the exemption under FRS 8 not to disclose transactions with consolidated Group companies.

29. **Directors' transactions**

During the year the company had an arrangement with Mr Carneau for him to provide accommodation for business meetings etc. A weekly rent allowance together with reimbursement of expenses is paid for the service. A refundable deposit has been paid and this attracts interest of 10%. At 31 December 1997 the amount outstanding in respect of this agreement was £28,058 (1996: £26,238).

30. **Ultimate parent company and controlling party**

The ultimate parent company is Suez Lyonnaise des Eaux SA, a company incorporated in France.

The largest group of which S.I.T.A. (GB) Limited is a member and for which group financial statements are drawn up is that headed by Suez Lyonnaise des Eaux SA. The consolidated financial statements of the Suez Lyonnaise des Eaux SA Group may be obtained from 72, avenue de la Liberté, Nanterre, France. The smallest such group is that headed by SITA SA, a company incorporated in France. The consolidated financial statements of the SITA SA group may be obtained from 94, rue de Provence, Paris.

In the opinion of the directors, at the year end SITA SA controlled the company as a result of controlling 100% of the issued share capital of S.I.T.A. (GB) Limited.

Suez-Lyonnaise des Eaux SA is the ultimate controlling party, being the ultimate controlling party of SITA SA.

31. **Post balance sheet event**

On 22 January 1998 the company made an offer to purchase the entire issued share capital of Hafod Quarries Limited for the provisional sum of £4,850,000. The irrevocable acceptance of the shareholders of Hafod Quarries Limited has been obtained, and the sale is now contingent only upon the granting of a waste management licence for the landfill site owned by Hafod Quarries Limited. An agreement was entered into on the same date to transfer the sum of £242,500 into an Escrow account, jointly controlled by the solicitors of Shropshire Waste Management Limited and Hafod Quarries Limited. This sum is not refundable if the offer does not proceed.