
SITA UK LIMITED
(formerly SITA (GB) Limited)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2002
Registered Number: 2291198



SITA UK LIMITED

Company Information

Directors	P-A Hjort IA Sexton MR Gordon P Gillatt
Secretary	G Mayes
Company Number	2291198
Registered Office	SITA House Grenfell Road Maidenhead Berkshire SL6 1ES
Auditors	Ernst & Young LLP Becket House 1 Lambeth Palace Road London SE1 7EU

SITA UK LIMITED

Contents

	Pages
Directors' Report	1 - 4
Independent Auditors' Report	5
Profit and Loss Account	6
Statement of Recognised Gains and Losses	7
Balance Sheet	8
Notes to the Financial Statements	9 - 25

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2002

The directors present their annual report on the affairs of the company, together with the financial statements and auditors' report for the year ended 31 December 2002.

Change of name

On 30 August 2002, the company changed its name from SITA (GB) Limited to SITA UK Limited.

Principal activity and review of the business

The company's principal activity during the year was the provision of municipal services.

The subsidiary undertakings held by the company are listed in note 10 to the accounts. Consolidated accounts are not presented as the company takes advantage of the exemption afforded by Section 228 of the Companies Act 1985.

The company's profitability was much improved in 2002 following the elimination of loss-making contracts in 2001.

SITA Holdings UK Limited, the parent undertaking, has decided to restructure its investments to make the company the primary operating company within the group. The restructuring has already commenced and it will be completed as soon as possible, taking account of individual companies' contractual commitments to third parties.

Results and dividends

The profit for the year after taxation, amounted to £3,467,000 (2001 - loss of £1,676,000) and the profit for the year after taxation will be added to reserves.

The directors do not recommend the payment of a dividend (2001 - £nil).

Directors

The directors who served during the year (except as noted) were as follows:

IF Goodfellow	(resigned 31 May 2003)
MR Gordon	
D Hespe	(resigned 1 September 2002)
IA Sexton	
P-A Hjort	(appointed 31 May 2003)
P Gillatt	(appointed 31 July 2003)

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2002

Directors' interests

The directors who held office on 31 December 2002 had no interests in the shares of the company.

The directors who held office on 31 December 2002 held the following options over ordinary shares of Euro 10 each in Suez SA, the group's ultimate parent company:

Name of director	1 January 2002 or date of appointment Number	Granted Number	31 December 2002 Number
MR Gordon	3,150	9,650	12,800

No options have lapsed during the year.

The interests of IF Goodfellow and IA Sexton are disclosed in the accounts of the company's UK holding company, SITA Holdings UK Limited, for the year ended 31 December 2002.

No other directors hold any beneficial interests in options over ordinary shares of Suez SA.

The directors who held office on 31 December 2002 held the following options over ordinary shares of Euro 8 each in SITA SA:

Name of director	1 January 2002 or date of appointment Number	Granted Number	31 December 2002 Number
MR Gordon	900	-	900

No options have lapsed during the year.

The interests of IF Goodfellow and IA Sexton are disclosed in the accounts of the company's UK holding company, SITA Holdings UK Limited, for the year ended 31 December 2002.

Following the purchase of the entire remaining share capital of SITA SA by Suez SA all share options in SITA SA will convert to ordinary shares in Suez SA on exercise at a rate of 1.6 Suez SA shares per SITA SA share option.

No other directors hold any beneficial interests in options over ordinary shares of SITA SA.

The directors who held office at 31 December 2002 held the following interests in the Suez SA Group's employee investment schemes:

Name of director	Pipe 1998 Units	Spring Classic 1999 Units of Euro 25	Spring Multiple 2000 Units of Euro 10
MR Gordon	-	128	349

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2002

Market value of land and buildings

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

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Employee consultation

The company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting performance of the company. This is achieved through formal and informal meetings and the company magazine. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interest.

Events since the end of the year

There have been no significant events requiring disclosure since the balance sheet date.

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 of the profit or loss of the company 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 which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

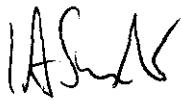
DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2002

Auditors

On 7 July 2003, Deloitte & Touche resigned as auditors and Ernst & Young LLP were appointed to fill the casual vacancy arising.

A resolution to re-appoint Ernst & Young LLP as auditors will be put to the members by written resolution on 2 October 2003.

This report was approved by the board on 22 August 2003 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'IA Sexton', with a stylized flourish at the end.

IA Sexton
Director

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SITA UK LIMITED

We have audited the company's financial statements for the year ended 31 December 2002 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 25. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of Directors' Responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

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

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 with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 affairs of the company as at 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Ernst & Young LLP
Registered Auditor

London
22 August 2003

SITA UK LIMITED

PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2002

		2002	<i>(restated)</i> 2001
	Note	£ '000	£ '000
TURNOVER	2	96,230	95,512
Cost of sales		(88,870)	(95,266)
GROSS PROFIT		7,360	246
Administrative expenses		(1,124)	(3,238)
Other operating income		30	-
OPERATING PROFIT		6,266	(2,992)
(Loss)/profit on disposal of tangible fixed assets		(96)	126
		6,170	(2,866)
Income from investments in related companies		-	780
Profit on disposal of subsidiary undertaking		-	501
Interest receivable	5	610	821
Interest payable	6	(1,251)	(1,533)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	3	5,529	(2,297)
TAXATION ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES	7	(2,062)	621
RETAINED PROFIT/(LOSS) FOR THE YEAR	17	3,467	(1,676)

All amounts relate to continuing operations.

The notes on pages 9 to 25 form an integral part of these financial statements.

SITA UK LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 31 December 2002

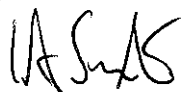
	2002	<i>(restated)</i> 2001
	£ '000	£ '000
Profit/(loss) for the financial year after taxation	3,467	(1,676)
Restatement of deferred tax under FRS 19	298	-
Total gains and losses relating to the year	<u>3,765</u>	<u>(1,676)</u>

SITA UK LIMITED

BALANCE SHEET
As at 31 December 2002

		2002	(restated) 2001
	Note	£ '000	£ '000
FIXED ASSETS			
Goodwill	8	6,273	7,319
Tangible fixed assets	9	22,937	25,264
Investments	10	34,786	34,786
		<u>63,996</u>	<u>67,369</u>
CURRENT ASSETS			
Stocks	11	566	576
Debtors - due within one year	12	36,907	57,197
Cash at bank and in hand		54	474
		<u>37,527</u>	<u>58,247</u>
CREDITORS: amounts falling due within one year	13	<u>(9,297)</u>	<u>(74,932)</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>28,230</u>	<u>(16,685)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		92,226	50,684
CREDITORS: amounts falling due after more than one year	14	(64,936)	(27,547)
PROVISIONS FOR LIABILITIES AND CHARGES	15	<u>(4,336)</u>	<u>(3,650)</u>
NET ASSETS		<u>22,954</u>	<u>19,487</u>
CAPITAL AND RESERVES			
Called up share capital	16	10,131	10,131
Share premium account		11,733	11,733
Other reserves		60	60
Profit and loss account	17	1,030	(2,437)
EQUITY SHAREHOLDERS' FUNDS	18	<u>22,954</u>	<u>19,487</u>

The financial statements were approved by the board on 22 August 2003 and signed on its behalf by:



IA Sexton

Director

The notes on pages 9 to 25 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2002

1. ACCOUNTING POLICIES

The principal accounting policies which are summarised below have been applied consistently throughout the current and preceding year.

1.1 Basis of preparation of financial statements

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

The company is itself a subsidiary undertaking and is exempt from the requirement to prepare group accounts by virtue of section 228 of the Companies Act 1985. These financial statements therefore present information about the company as an individual undertaking and not about its group. The company is also, on this basis, exempt from the requirement of FRS 1 (Revised) 'Cash flow statements' to present a cash flow statement.

In preparing the financial statements for the current year, the company has adopted FRS 18 'Accounting Policies' and has made the transitional disclosures required by FRS 17 'Retirement Benefits' which are disclosed in note 22 of the financial statements. Adoption of FRS 18 has not had any effect on the results for the year or required any restatement of prior year comparatives.

In preparing the financial statements for the current year, the group has adopted FRS 19 'Deferred Tax'. The adoption of FRS 19 has resulted in a change in accounting policy for deferred tax. Deferred Tax is recognised on a full provision basis in accordance with the accounting policy described below. Previously, deferred tax was provided for on a partial basis, whereby provision was made on all timing differences to the extent that they were expected to reverse in the future without replacement.

This change in accounting policy has resulted in a prior year adjustment. Shareholders' funds at 1 January 2001 have been increased by £150,000 and the tax credit for the year ended 31 December 2001 has been increased by £148,000. A deferred tax asset of £298,000 has been created at 31 December 2001. Profit for the current year has been reduced by £1,134,000 as a result of the change in accounting policy.

1.2 Turnover

Turnover comprises the invoiced value of goods and services supplied by the company, exclusive of trade discounts, value added tax and other sales related taxes.

1.3 Goodwill

Goodwill arising on acquisition, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight-line basis over its estimated useful life of 10 years.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2002

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation less depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than investment properties and freehold land, at rates calculated to write off the cost or valuation of fixed assets, less estimated residual value, of each asset over their expected useful lives on the following basis:

Freehold property	20 years, straight-line basis
Short leasehold property	Lease term, straight-line basis
Plant & machinery	3 - 15 years, straight-line basis
Vehicles	3 - 15 years, straight-line basis
Fixtures & fittings	3 - 15 years, straight-line basis

Residual value is calculated on prices prevailing at the date of acquisition or revaluation.

1.5 Investments

Fixed asset investments are shown at cost less any provision for impairment.

1.6 Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the profit and loss account on a straight-line basis over the term of the lease.

1.7 Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks.

1.8 Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or receive more tax, with the following exceptions:

- provision is made for tax on gains arising from the revaluation (or similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold; and
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on a discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

1.9 Pensions

For defined benefit schemes the amount charged to the profit and loss account in respect of pension costs is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost. The regular cost is calculated so that it represents a substantially level percentage of current and future payroll. Variations from regular cost are charged or credited to the profit and loss account as a constant percentage of payroll over the estimated average remaining working life of scheme members. Defined benefit schemes are funded, with the assets of the scheme held separately from those of the group in separate trustee administered funds. Differences between amounts charged to the profit and loss account and amounts funded are shown as either provisions or prepayments in the balance sheet.

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

2. SEGMENTAL ANALYSIS

The directors consider that turnover is attributable to the one principal activity of the company being the provision of municipal services.

All turnover arose within the United Kingdom.

3. OPERATING PROFIT

Profit/(loss) on ordinary activities before taxation is stated after charging:

	2002 £ '000	2001 £ '000
Amortisation of goodwill	1,046	1,045
Depreciation of tangible fixed assets		
- owned by the company	4,211	5,839
Operating lease rentals		
- plant & machinery	480	882
- other	1,160	1,669

The auditor's remuneration for the current and prior years was borne by the company's UK parent undertaking SITA Holdings UK Limited.

The directors did not receive any emoluments in the current or prior years in respect of their services as directors of the company.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2002

4. STAFF COSTS

	2002 £ '000	2001 £ '000
Wages and salaries	36,563	40,171
Social security costs	2,991	3,279
Other pension costs	922	722
	<u>40,476</u>	<u>44,172</u>

The average monthly number of employees, including directors, during the year was as follows:

	2002 No.	2001 No.
Administration and management	19	140
Operations	2,115	2,491
	<u>2,134</u>	<u>2,631</u>

5. INTEREST RECEIVABLE

	2002 £ '000	2001 £ '000
Interest receivable from group undertakings	610	821
	<u>610</u>	<u>821</u>

6. INTEREST PAYABLE

	2002 £ '000	2001 £ '000
Bank loans and overdrafts	612	823
Loans from joint ventures	639	710
	<u>1,251</u>	<u>1,533</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2002

7. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES**(a) Tax on profit/(loss) on ordinary activities**

The tax charge is made up as follows:

	2002 £ '000	2001 £ '000
Current tax		
UK corporation tax	896	(473)
Tax underprovided in previous years	32	-
Total current tax	<u>928</u>	<u>(473)</u>
Deferred tax		
Origination and reversal of timing differences	1,126	(42)
Decrease/(increase) in discount	8	(106)
	<u>1,134</u>	<u>(148)</u>
Tax on profit/(loss) on ordinary activities	<u><u>2,062</u></u>	<u><u>(621)</u></u>

(b) Factors affecting current tax charge

The tax assessed on the profit/(loss) on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 30% (2001 - 30%). The differences are reconciled below:

	2002 £'000	2001 £'000
Profit/(loss) on ordinary activities before tax	<u>5,529</u>	<u>(2,297)</u>
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2001 - 30%)	1,659	(689)
Expenses not deductible for tax purposes (including goodwill amortisation)	370	174
Accelerated capital allowances	(223)	(162)
Tax losses brought forward utilised in year	(910)	(5)
Tax underprovided in previous years	32	-
Other timing differences	-	209
Total current tax	<u><u>928</u></u>	<u><u>(473)</u></u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2002

7. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES (continued)**(c) Deferred tax**

The deferred tax included in the balance sheet is as follows:

	2002 £'000	2001 £'000
Included in debtors (note 12)	-	298
Included in provisions for liabilities and charges (note 15)	(836)	-
	<u>(836)</u>	<u>298</u>
Comprising:		
Accelerated capital allowances	(1,824)	(1,608)
Tax losses carried forward	-	910
Other timing differences	900	900
	<u>(924)</u>	<u>202</u>
Discount	88	96
	<u>(836)</u>	<u>298</u>
		£'000
At 1 January 2002 as originally reported		-
Prior year adjustment on adoption of FRS 19		298
At 1 January 2002 as restated		<u>298</u>
Deferred tax charge in the profit and loss account		(1,134)
At 31 December 2002		<u>(836)</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2002

8. GOODWILL

	£ '000
Cost:	
At 1 January 2002	10,454
At 31 December 2002	<u>10,454</u>
Amortisation:	
At 1 January 2002	3,135
Charge for year	1,046
At 31 December 2002	<u>4,181</u>
Net Book Value	
At 31 December 2002	<u>6,273</u>
<i>At 31 December 2001</i>	<u>7,319</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2002

9. TANGIBLE FIXED ASSETS

	Freehold property £ '000	Short leasehold property £ '000	Plant & machinery £ '000	Vehicles £ '000	Fixtures & fittings £ '000	Total £ '000
Cost or Valuation						
1 January 2002	792	2,264	6,884	38,509	1,128	49,577
Additions	-	9	43	3,216	29	3,297
Disposals	-	-	(385)	(1,742)	(116)	(2,243)
Transfers from/(to) group companies	204	-	(690)	(3,591)	(55)	(4,132)
At 31 December 2002	996	2,273	5,852	36,392	986	46,499
Depreciation						
At 1 January 2002	197	1,135	5,328	16,743	910	24,313
Charge for the year	20	69	(138)	4,154	106	4,211
Disposals	-	-	(379)	(1,657)	(111)	(2,147)
Transfers from/(to) group companies	16	-	(703)	(2,074)	(54)	(2,815)
At 31 December 2002	233	1,204	4,108	17,166	851	23,562
Net Book Value						
At 31 December 2002	763	1,069	1,744	19,226	135	22,937
<i>At 31 December 2001</i>	<i>595</i>	<i>1,129</i>	<i>1,556</i>	<i>21,766</i>	<i>218</i>	<i>25,264</i>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2002

10. FIXED ASSET INVESTMENTS

		Shares in group undertakings £ '000
Cost		
At 1 January 2002		34,786
At 31 December 2002		<u>34,786</u>
<i>Principal subsidiary undertakings</i>	<i>Principal activity</i>	<i>% Holding</i>
Midland Land Reclamation Limited	Management of landfill sites	100 %
Shropshire Waste Management Limited	Management of landfill sites	80 %
SITA Contract Services Limited	Provision of municipal services	100 %
Surrey Waste Management Limited	Waste disposal	100 %
<i>Joint venture</i>		
LondonWaste Limited	Waste disposal and electricity generation	50 %

All subsidiaries are registered in England and Wales.

11. STOCKS

	2002 £ '000	2001 £ '000
Raw materials and consumables	566	560
Work in progress	-	16
	<u>566</u>	<u>576</u>

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2002

12. DEBTORS

	2002 £ '000	(restated) 2001 £ '000
Amounts receivable within one year		
Trade debtors	16,272	352
Amounts owed by group undertakings	11,751	44,105
Amounts owed by joint venture	4,232	4,222
Other debtors	60	17
Proposed dividends receivable	-	780
Group relief receivable	-	473
Deferred taxation	-	298
Prepayments and accrued income	4,592	6,950
	<u>36,907</u>	<u>57,197</u>

13. CREDITORS: amounts falling due within one year

	2002 £ '000	2001 £ '000
Amounts owed to group undertakings	-	66,728
Corporation tax	1,552	-
Other creditors	1,356	696
Accruals and deferred income	6,389	7,508
	<u>9,297</u>	<u>74,932</u>

14. CREDITORS: amounts falling due after more than one year

	2002 £ '000	2001 £ '000
Bank loans	-	15,000
Amounts owed to group undertakings	53,641	-
Amounts owed to joint ventures	11,295	12,547
	<u>64,936</u>	<u>27,547</u>

The amount due to joint ventures 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. The interest rate is 6%.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2002

15. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred tax - (asset) / liability £ '000	Onerous contracts £ '000	Total £ '000
At 1 January 2002	-	3,650	3,650
Restatement under FRS 19	(298)	-	(298)
Charged to profit and loss account	1,134	-	1,134
Credited to profit and loss account	-	(150)	(150)
At 31 December 2002	<u>836</u>	<u>3,500</u>	<u>4,336</u>

Onerous contracts

The company has made provision for the estimated costs of contractual disputes. The payment date is dependent upon legal resolution of these disputes.

16. CALLED UP SHARE CAPITAL

	2002 £ '000	2001 £ '000
Authorised		
20,000,000 (2001 - 20,000,000) ordinary shares of £1 each	<u>20,000</u>	<u>20,000</u>
Allotted, called up and fully paid		
10,130,696 (2001 - 10,130,696) ordinary shares of £1 each	<u>10,131</u>	<u>10,131</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2002

17. RESERVES

	Share premium account £ '000	Other reserves £ '000	Profit and loss account £ '000	Total £ '000
At 1 January 2002 as originally reported	11,733	60	(2,735)	9,058
Prior year adjustment on adoption of FRS 19	-	-	298	298
At 1 January 2002 as restated	11,733	60	(2,437)	9,356
Retained profit for the year	-	-	3,467	3,467
At 31 December 2002	11,733	60	1,030	12,823

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2002 £ '000	(restated) 2001 £ '000
Profit/(loss) for the year	3,467	(1,676)
Opening shareholders' funds (originally £19,189,000 before adding prior year adjustment of £298,000)	19,487	21,163
Closing shareholders' funds	22,954	19,487

19. CONTINGENT LIABILITIES

The company has provided unsecured guarantees to third parties in respect of performance bonds. At 31 December 2002 guarantees outstanding amounted to £5,173,819 (2001 - £5,857,000).

The company is party to a cross-guarantee arrangement with other SITA group undertakings in respect of bank overdrafts. The potential liability outstanding at 31 December 2002 was £34,137,624 (2001 - £13,057,000).

20. CAPITAL COMMITMENTS

At 31 December 2002 the company had capital commitments as follows:

	2002 £ '000	2001 £ '000
Contracted for but not provided in these accounts	16	-

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2002

21. OTHER COMMITMENTS

At 31 December 2002 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2002	2001	2002	2001
	£ '000	£ '000	£ '000	£ '000
Expiry date:				
Within 1 year	156	9	20	381
Between 2 and 5 years	211	602	-	104
In more than 5 years	725	551	-	-
	<u>1,092</u>	<u>1,162</u>	<u>20</u>	<u>485</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2002

22. PENSION COMMITMENTS**Defined benefit schemes****SSAP 24 disclosures**

The group provides pension arrangements to a number of full time employees through a number of defined benefit schemes and the related costs are assessed in accordance with the advice of professionally qualified actuaries.

The most recent actuarial valuations were conducted as at dates between 1 April 2000 and 6 April 2001.

Main assumptions	Range
-rate of increase in salaries	6.0% - 7.0%
-rate of increase in pensions in payment	3.5% - 4.3%
-interest rate	6.5% - 8.0%
-return on scheme investment	8.0% - 9.0%

Results:

-level of funding	71.2% - 84.1%
-------------------	---------------

Amounts charged in the profit and loss account during the period for the defined benefit scheme were £899,000 (2001 - £699,000). An amount of £75,000 (2001 - £58,000) was payable to the fund at the year end.

FRS 17 disclosures

The valuation used for FRS 17 disclosures has been based on the most recent actuarial valuations and updated by the actuaries to take account of the requirements of FRS 17 in order to assess the liabilities of the scheme at 31 December 2002. Scheme assets are stated at their market value at 31 December 2002.

	2002	2001
	%	%
Main assumptions:		
Rate of salary increases	3.9	3.5
Rate of increase in pensions in payment	2.1	2.5
Discount rate	5.4	5.7
Inflation assumption	2.4	2.5

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2002

22. PENSION COMMITMENTS (continued)

The assets and liabilities of the schemes and the expected rate of return at 31 December 2002 are:

	Average long-term rate of return expected	Value	Average long-term rate of return expected	Value
	2002	2002	2001	2001
	%	£'000	%	£'000
Equities	6.0	6,317	7.1	7,194
Bonds	4.0	1,214	5.1	1,170
Other	4.0	<u>557</u>	5.1	<u>522</u>
Total market value of assets		8,088		8,886
Present value of scheme liabilities		<u>(14,518)</u>		<u>(13,595)</u>
Pension liability before deferred tax		(6,430)		(4,709)
Related deferred tax asset		<u>1,929</u>		<u>1,413</u>
Net pension liability		<u>(4,501)</u>		<u>(3,296)</u>

Analysis of the amount that would have been charged to operating profit

	£'000
Current service cost	<u>1,966</u>
Total operating charge	<u>1,966</u>

Analysis of the amount that would have been credited to other finance income

	£'000
Expected return on pension scheme assets	631
Interest on pension scheme liabilities	<u>(824)</u>
Net return	<u>(193)</u>

Analysis of the movement in scheme deficit in the year

	£'000
Deficit at 31 December 2001	(4,709)
Current service cost	(1,967)
Contributions paid	1,290
Other finance income	(192)
Actuarial losses	<u>(852)</u>
Deficit at 31 December 2002	<u>(6,430)</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2002

22. PENSION COMMITMENTS (continued)

Analysis of the amount that would have been recognised in the statement of total recognised gains and losses

	£'000
Actual return less expected return on scheme assets	(2,487)
Experience gains on the liabilities	2,547
Changes in assumptions underlying the present value of the scheme liabilities	<u>(912)</u>
Actuarial loss recognised in the STRGL	<u>(852)</u>

History of experience gains and losses

Difference between actual and expected return on scheme assets	(2,487)
- as % of scheme assets	-30%
Experience gains	2,547
- as % of liabilities	18%
Total amount recognised in STRGL	(852)
- as % of liabilities	6%

Defined contribution schemes

The company also operates a defined contribution scheme for which the pension cost charge for the year amounted to £23,000 (2001 - £23,000). At 31 December 2002 the amount payable to the scheme was £2,000 (2001 - £2,000).

23. RELATED PARTIES

SITA UK Limited, through a subsidiary, provides LondonWaste Limited (a 50% joint venture) with landfill space. Total revenues for the year in respect of this, after volume user discounts, were £1,630,000 (2001 - £1,349,000). The company also provides LondonWaste Limited with technical expertise and charged £270,000 (2001 - £490,000) in management fees for this service.

At the balance sheet date the company was owed £4,232,000 (2001 - £4,222,000) by LondonWaste Limited.

As part of the original financing arrangements of LondonWaste Limited, SITA UK Limited received an advance for landfill space of £12,000,000, on which interest is charged at the rate of 6% per annum on the outstanding balance. The interest payable in the year was £639,000 (2001 - £710,000). The balance on the loan outstanding at the year end was £11,295,000 (2001 - £12,547,000).

In accordance with the exemption under Financial Reporting Standard 8 the company does not disclose transactions with companies which are at least 90% controlled within the group because copies of the group financial statements are publicly available.

24. CONTROLLING PARTY

In the opinion of the directors, SITA Holdings UK Limited controls the company as a result of controlling 100% of the issued share capital of SITA UK Limited. Suez SA is the ultimate controlling party, being the ultimate controlling party of SITA Holdings UK Limited.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2002

25. ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking is Suez SA, a company incorporated in France.

The largest group of which SITA UK Limited is a member and for which group financial statements are drawn up is that headed by Suez SA, whose consolidated financial statements are available from 1 Rue d'Astorg, Paris, France. The smallest such group is that headed by SITA Holdings UK Limited, a company registered in England and Wales. The consolidated financial statements of SITA Holdings UK Limited may be obtained from SITA House, Grenfell Road, Maidenhead, Berkshire, SL6 1ES.