

Registered number: 2291198

**SITA UK Limited**

**Directors' report and financial statements  
For the year ended 31 December 2004**



**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  
Wessex House  
19 Threefield Lane  
Southampton  
SO14 3QB

**SITA UK Limited**

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## **SITA UK Limited**

### **Directors' report For the year ended 31 December 2004**

The directors present their report and the financial statements for the year ended 31 December 2004.

#### **Principal activities and review of business**

The company's principal activity during the year was the provision of waste management services to municipal, industrial and commercial customers.

The company had a good year, building on operational restructuring and improvements in recent years to show strong operating profit growth.

Interest was charged on intercompany loans for the first time this year, to comply with changes to UK tax legislation. The resultant increase in the interest charge borne by the company offset the operating profit improvements in the year.

At the year end the parent company injected an additional £50 million of capital to strengthen the company's financial position.

The company's financial structure is now very solid and the Directors are confident of the prospects for the future.

#### **Results and dividends**

The profit for the year, after taxation, amounted to £4,779,000 (2003 - as restated £4,367,000) .

The directors do not recommend the payment of a dividend.

#### **Directors**

The directors who served during the year were:

P Gillatt  
MR Gordon  
P-A Hjort  
IA Sexton

The directors have no beneficial interests in the shares of group companies required to be disclosed under the Companies Act 1985.

#### **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

#### **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 the 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.

**SITA UK Limited**

**Directors' report  
For the year ended 31 December 2004**

**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;
- 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 safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Auditors**

The auditors, Ernst & Young LLP, are deemed to be reappointed in accordance with section 386 of the Companies Act 1985 by virtue of an elective resolution passed by the members on 7 July 2003.

This report was approved by the board on 27 October 2005 and signed on its behalf.



**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 2004 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 27. 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 auditor's 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.

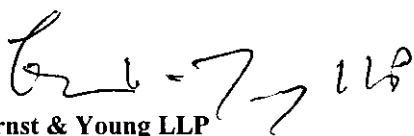
**Basis of audit opinion**

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 2004 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  
Southampton

27 October 2005

**SITA UK Limited**

**Profit and loss account  
For the year ended 31 December 2004**

	Note	2004 £000	<i>As restated</i> 2003 £000
<b>Turnover</b>	1, 2	<b>187,014</b>	<i>186,003</i>
Cost of sales		<u>(159,107)</u>	<u>(166,396)</u>
<b>Gross profit</b>		<b>27,907</b>	<i>19,607</i>
Administrative expenses		<u>(18,449)</u>	<u>(13,280)</u>
<b>Operating profit</b>	3	<b>9,458</b>	<i>6,327</i>
Exceptional items			
Net loss on sale of tangible fixed assets		<u>(1,256)</u>	<u>(44)</u>
<b>Profit on ordinary activities before interest</b>		<b>8,202</b>	<i>6,283</i>
Interest receivable	5	<b>160</b>	-
Interest payable	6	<u>(4,407)</u>	<u>(643)</u>
<b>Profit on ordinary activities before taxation</b>		<b>3,955</b>	<i>5,640</i>
<b>Tax on profit on ordinary activities</b>	7	<u><b>824</b></u>	<u><i>(1,273)</i></u>
<b>Profit on ordinary activities after taxation</b>		<u><b>4,779</b></u>	<u><i>4,367</i></u>

All amounts relate to continuing operations. The prior year figures have been restated. See note 19.

The notes on pages 7 to 17 form part of these financial statements.

**SITA UK Limited**

**Statement of total recognised gains and losses  
For the year ended 31 December 2004**

	<b>2004 £000</b>	<i>As restated</i> <b>2003 £000</b>
<b>Profit for the financial year</b>	<b>4,779</b>	<b>4,367</b>
<b>Total recognised gains and losses relating to the year</b>	<b>4,779</b>	<b>4,367</b>
Prior year adjustment (see note 19)	<b>338</b>	
<b>Total gains and losses recognised since last financial statements</b>	<b>5,117</b>	

The notes on pages 7 to 17 form part of these financial statements.

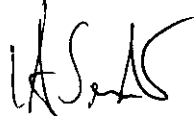


**SITA UK Limited**

**Balance sheet  
As at 31 December 2004**

	Note	£000	2004 £000	£000	As restated 2003 £000
<b>Fixed assets</b>					
Intangible fixed assets	8		4,183		5,228
Tangible fixed assets	9		54,908		58,876
Investments	10		34,936		34,786
			<hr/>		<hr/>
			94,027		98,890
<b>Current assets</b>					
Stocks	11	759		750	
Debtors	12	58,159		58,334	
Cash at bank and in hand		71		33	
		<hr/>		<hr/>	
		58,989		59,117	
<b>Creditors: amounts falling due within one year</b>	13	(25,864)		(23,794)	
		<hr/>		<hr/>	
<b>Net current assets</b>			33,125		35,323
			<hr/>		<hr/>
<b>Total assets less current liabilities</b>			127,152		134,213
<b>Creditors: amounts falling due after more than one year</b>	14		(44,613)		(104,426)
<b>Provisions for liabilities and charges</b>					
Deferred taxation	15	-		(1,506)	
Other provisions	16	(527)		(1,048)	
		<hr/>		<hr/>	
			(527)		(2,554)
			<hr/>		<hr/>
<b>Net assets</b>			82,012		27,233
			<hr/>		<hr/>
<b>Capital and reserves</b>					
Called up share capital	17		60,131		10,131
Share premium account			11,733		11,733
Capital redemption reserve			60		60
Profit and loss account	18		10,088		5,309
			<hr/>		<hr/>
<b>Shareholders' funds - equity</b>	20		82,012		27,233
			<hr/>		<hr/>

The financial statements were approved by the board on 27 October 2005 and signed on its behalf.



**IA Sexton**  
Director

The notes on pages 7 to 17 form part of these financial statements.

Notes to the financial statements  
For the year ended 31 December 2004

**1. Accounting policies**

**1.1 Basis of preparation of financial statements**

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

The company is itself a subsidiary company 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.

**1.2 Cash flow**

The company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS1.

**1.3 Turnover**

Turnover comprises the invoiced value of goods and services supplied by the company, exclusive of Value Added Tax and trade discounts.

**1.4 Intangible fixed assets and amortisation**

Goodwill is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities. It is amortised to profit and loss account over its estimated economic life of 10 years.

**1.5 Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Freehold property - landfill	-	On the basis of airspace used
Short leasehold property	-	Lease term, straight-line basis
Landfill engineering	-	On the basis of airspace used
Plant & machinery	-	3 - 10 years straight line
Motor vehicles	-	4 - 10 years straight line
Fixtures & fittings	-	3 - 5 years straight line

**1.6 Investments**

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

**1.7 Leasing and hire purchase**

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

**1.8 Stocks**

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

**Notes to the financial statements**  
**For the year ended 31 December 2004**

**1.9 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 tax 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 to receive more, tax, with the following exceptions:

- provision is made for tax gains arising from the revaluation (and 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;
- 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 future reversal of the underlying timing differences can be deducted.

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

**2. Turnover**

The whole of the turnover is attributable to the one principal activity of the company being the provision of waste management services to municipal, industrial and commercial customers.

All turnover arose within the United Kingdom.

**3. Operating profit**

The operating profit is stated after charging:

	<b>2004</b>	<i>2003</i>
	<b>£000</b>	<i>£000</i>
Amortisation - intangible fixed assets	<b>1,045</b>	<i>1,045</i>
Depreciation of tangible fixed assets:		
- owned by the company	<b>12,009</b>	<i>12,773</i>
Auditors' remuneration	<b>90</b>	<i>-</i>
Operating lease rentals - plant and machinery	<b>53</b>	<i>20</i>
Operating lease rentals - land and buildings	<b>1,703</b>	<i>1,092</i>
	<b>=====</b>	<i>=====</i>

During the year, no director received any remuneration in respect of his services as director of the company (*2003 - £nil*).

The audit fee for the prior year was borne by SITA Holdings UK Limited.

**SITA UK Limited**

**Notes to the financial statements  
For the year ended 31 December 2004**

**4. Staff costs**

Staff costs were as follows:

	<b>2004</b>	<b>2003</b>
	<b>£000</b>	<b>£000</b>
Wages and salaries	<b>52,041</b>	53,578
Social security costs	<b>5,042</b>	5,027
Other pension costs	<b>977</b>	1,108
	<b>58,060</b>	59,713

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

	<b>2004</b>	<b>2003</b>
	<b>No.</b>	<b>No.</b>
Administration and management	<b>265</b>	91
Operations	<b>2,961</b>	3,328
	<b>3,226</b>	3,419

**5. Interest receivable**

	<b>2004</b>	<b>2003</b>
	<b>£000</b>	<b>£000</b>
Interest receivable from group companies	<b>158</b>	-
Other interest receivable	<b>2</b>	-
	<b>160</b>	-

**6. Interest payable**

	<b>2004</b>	<b>2003</b>
	<b>£000</b>	<b>£000</b>
On bank loans and overdrafts	-	11
On finance leases and hire purchase contracts	<b>20</b>	72
On loans from group undertakings	<b>4,387</b>	560
	<b>4,407</b>	643

**SITA UK Limited**

**Notes to the financial statements  
For the year ended 31 December 2004**

**7. Taxation**

	<b>2004</b>	<i>As restated</i> <b>2003</b>
	<b>£000</b>	<b>£000</b>
<b>a) Tax on profit on ordinary activities</b>		
<b>Current tax</b>		
UK corporation tax	<b>4,348</b>	<i>1,835</i>
Adjustments in respect of prior periods	<b>1,667</b>	<i>(1,144)</i>
<b>Total current tax</b>	<b>6,015</b>	<i>691</i>
<b>Deferred tax</b>		
Origination and reversal of timing differences	<b>(3,797)</b>	<i>504</i>
Adjustment in respect of prior periods	<b>(3,042)</b>	<i>78</i>
<b>Total deferred tax (see note 15)</b>	<b>(6,839)</b>	<i>582</i>
<b>Tax on (loss)/profit on ordinary activities</b>	<b>(824)</b>	<i>1,273</i>

**b) Factors affecting current tax charge**

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	<b>2004</b>	<b>2003</b>
	<b>£000</b>	<b>£000</b>
Profit on ordinary activities before tax	<b>3,955</b>	<i>5,640</i>
Profit on ordinary activities multiplied by the relevant standard rate of corporation tax in the UK of 30% (2003 - 30%)	<b>1,187</b>	<i>1,692</i>
<b>Effects of:</b>		
Expenses not deductible for tax purposes	<b>451</b>	<i>488</i>
Capital allowances for period in excess of depreciation	<b>3,797</b>	<i>(314)</i>
Adjustments to tax charge in respect of prior periods	<b>1,667</b>	<i>(1,144)</i>
Other timing differences	<b>-</b>	<i>(31)</i>
Discount received on group relief payment	<b>(1,087)</b>	<i>-</i>
<b>Current tax charge for year (see note above)</b>	<b>6,015</b>	<i>691</i>

There were no factors that may affect future tax charges.

**SITA UK Limited**

**Notes to the financial statements  
For the year ended 31 December 2004**

**8. Intangible fixed assets**

	<b>Goodwill £000</b>
<b>Cost</b>	
At 1 January 2004 and 31 December 2004	<u>10,454</u>
<b>Amortisation</b>	
At 1 January 2004	5,226
Charge for the year	1,045
At 31 December 2004	<u>6,271</u>
<b>Net book value</b>	
At 31 December 2004	<u>4,183</u>
At 31 December 2003	<u>5,228</u>

**9. Tangible fixed assets**

	<b>Freehold property - landfill £000</b>	<b>Short leasehold property £000</b>	<b>Plant &amp; machinery £000</b>	<b>Motor vehicles £000</b>	<b>Fixtures &amp; fittings £000</b>	<b>Total £000</b>
<b>Cost</b>						
At 1 January 2004	12,159	4,354	19,334	86,146	852	122,845
Additions	179	79	4,473	10,494	166	15,391
Disposals	-	-	(4,215)	(10,624)	(129)	(14,968)
Transfers (to)/from group undertakings	(17)	6	3,251	(9,700)	(33)	(6,493)
At 31 December 2004	<u>12,321</u>	<u>4,439</u>	<u>22,843</u>	<u>76,316</u>	<u>856</u>	<u>116,775</u>
<b>Depreciation</b>						
At 1 January 2004	2,412	1,458	10,628	48,931	540	63,969
Charge for the year	352	158	2,524	8,812	163	12,009
On disposals	-	-	(3,638)	(9,186)	(125)	(12,949)
Transfers (to)/from group undertakings	14	6	2,436	(3,598)	(20)	(1,162)
At 31 December 2004	<u>2,778</u>	<u>1,622</u>	<u>11,950</u>	<u>44,959</u>	<u>558</u>	<u>61,867</u>
<b>Net book value</b>						
At 31 December 2004	<u>9,543</u>	<u>2,817</u>	<u>10,893</u>	<u>31,357</u>	<u>298</u>	<u>54,908</u>
At 31 December 2003	<u>9,747</u>	<u>2,896</u>	<u>8,706</u>	<u>37,215</u>	<u>312</u>	<u>58,876</u>

**SITA UK Limited**

**Notes to the financial statements  
For the year ended 31 December 2004**

**9. Tangible fixed assets (continued)**

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	<b>2004</b>	<b>2003</b>
	<b>£000</b>	<b>£000</b>
Plant & machinery	<b>245</b>	<b>311</b>

**10. Fixed asset investments**

	<b>Shares in group under- takings £000</b>	<b>Total  £000</b>
<b>Cost</b>		
At 1 January 2004	<b>34,786</b>	<b>34,786</b>
Additions	<b>150</b>	<b>150</b>
At 31 December 2004	<b>34,936</b>	<b>34,936</b>

<b>Principal subsidiary undertakings</b>	<b>Principal activity</b>	<b>% Holding</b>
Midland Land Reclamation Limited	Management of landfill sites	100%
Shropshire Waste Management Limited	Management of landfill sites	93.3%
SITA Contract Services Limited	Dormant	100%
Surrey Waste Management Limited	Waste disposal	100%

**Joint venture**

LondonWaste Limited	Waste disposal and electricity generation	50%
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All subsidiaries are registered in England and Wales.

During the year the company increased its holding in its subsidiary undertaking, Shropshire Waste Management Limited, from 80% to 93.3%.

**11. Stocks**

	<b>2004</b>	<b>2003</b>
	<b>£000</b>	<b>£000</b>
Raw materials	<b>759</b>	<b>750</b>

The difference between purchase price or production cost of stocks and their replacement cost is not material.

**SITA UK Limited**

**Notes to the financial statements  
For the year ended 31 December 2004**

**12. Debtors**

	<b>2004</b>	<i>As restated</i> <b>2003</b>
	<b>£000</b>	<b>£000</b>
<b>Due within one year</b>		
Trade debtors	37,667	43,137
Amounts owed by group undertakings	4,751	4,669
Amounts owed by undertakings in which the company has a participating interest	3,977	4,067
Other debtors	250	280
Prepayments and accrued income	6,181	6,181
Deferred tax asset (see note 15)	5,333	-
	<u>58,159</u>	<u>58,334</u>

**13. Creditors:  
Amounts falling due within one year**

	<b>2004</b>	<b>2003</b>
	<b>£000</b>	<b>£000</b>
Net obligations under finance leases and hire purchase contracts	74	506
Corporation tax	6,015	1,791
Social security and other taxes	6,344	5,746
Other creditors	1,640	1,750
Accruals and deferred income	11,791	14,001
	<u>25,864</u>	<u>23,794</u>

**14. Creditors:  
Amounts falling due after more than one year**

	<b>2004</b>	<b>2003</b>
	<b>£000</b>	<b>£000</b>
Net obligations under finance leases and hire purchase contracts	79	146
Amounts owed to group undertakings	35,589	94,380
Amounts owed to undertakings in which the company has a participating interest	8,945	9,900
	<u>44,613</u>	<u>104,426</u>
Creditors include amounts not wholly repayable within 5 years as follows:		
	<b>2004</b>	<b>2003</b>
	<b>£000</b>	<b>£000</b>
Repayable other than by instalments	<u>44,533</u>	<u>104,281</u>



**SITA UK Limited**

**Notes to the financial statements  
For the year ended 31 December 2004**

**14. Creditors:**

**Amounts falling due after more than one year (continued)**

Obligations under finance leases and hire purchase contracts, included above, are payable as follows:

	<b>2004</b>	<i>2003</i>
	<b>£000</b>	<i>£000</i>
Between one and two years	<b>31</b>	<i>67</i>
Between two and five years	<b>48</b>	<i>79</i>
	<b><u>79</u></b>	<i><u>146</u></i>

**15. Deferred taxation**

	<b>2004</b>	<i>As restated 2003</i>
	<b>£000</b>	<i>£000</i>
At beginning of year	<b>1,506</b>	<i>924</i>
(Released during)/charge for the year	<b>(6,839)</b>	<i>582</i>
At end of year	<b><u>(5,333)</u></b>	<i><u>1,506</u></i>

The deferred tax (asset)/provision is made up as follows:

	<b>2004</b>	<i>As restated 2003</i>
	<b>£000</b>	<i>£000</i>
Accelerated capital allowances	<b>(4,485)</b>	<i>2,354</i>
Other timing differences	<b>(848)</b>	<i>(848)</i>
	<b><u>(5,333)</u></b>	<i><u>1,506</u></i>

**16. Provisions**

	<b>Onerous contracts £000</b>
At 1 January 2004	<b>1,048</b>
Amounts used	<b><u>(521)</u></b>
At 31 December 2004	<b><u>527</u></b>

**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.

**SITA UK Limited**

**Notes to the financial statements  
For the year ended 31 December 2004**

**17. Share capital**

	<b>2004</b>	<i>2003</i>
	<b>£000</b>	<i>£000</i>
<b>Authorised</b>		
70,000,000 ordinary shares of £1 each	<b>70,000,000</b>	<i>20,000,000</i>
<b>Allotted, called up and fully paid</b>		
60,130,696 ordinary shares of £1 each	<b>60,130,696</b>	<i>10,130,696</i>

During the year the authorised share capital was increased by £50,000,000 by the creation of 50,000,000 ordinary shares of £1 each. During the year, 50,000,000 ordinary shares of £1 each, with an aggregate nominal value of £50,000,000 were issued at par.

**18. Reserves**

<b>Profit and loss account</b>	<b>£000</b>
At 1 January 2004 as previously stated	<b>4,971</b>
Prior year adjustment (note 19)	<b>338</b>
At 1 January 2004 as restated	<b>5,309</b>
Profit retained for the year	<b>4,779</b>
At 31 December 2004	<b>10,088</b>

**19. Prior year adjustment**

The company's policy for the measurement of deferred tax under FRS 19 was changed during the year. Deferred tax balances are no longer measured on a discounted basis. The directors consider that the new policy provides a fairer presentation of the financial position of the company because it brings the accounting treatment into line with the requirements of International Financial Reporting Standards. The comparative figures in the primary statements and notes have been restated to reflect the new policy. The change in policy has increased net assets in the prior year by £338,000, and increased the profit after tax in the prior year by £426,000. It is not practicable to assess the effect of the change on the results of the current year.

**20. Reconciliation of movement in shareholders' funds**

	<b>2004</b>	<i>2003</i>
	<b>£000</b>	<i>£000</i>
Profit for the year	<b>4,779</b>	<i>4,367</i>
Shares issued during the year	<b>50,000</b>	<i>-</i>
	<b>54,779</b>	<i>4,367</i>
Opening shareholders' funds (previously £26,895,000 before adding prior year adjustment of £338,000)	<b>27,233</b>	<i>22,866</i>
Closing shareholders' funds	<b>82,012</b>	<i>27,233</i>

# SITA UK Limited

## Notes to the financial statements For the year ended 31 December 2004

### 21. Contingent liabilities

The company has provided unsecured guarantees to third parties in respect of performance bonds. At 31 December 2004 guarantees outstanding amounted to £9,698,000 (2003 - £6,070,000).

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 2004 was £19,029,000 (2003 - £23,703,000).

### 22. Capital commitments

At 31 December 2004 the company had capital commitments as follows:

	2004	2003
	£000	£000
Contracted for but not provided in these financial statements	4,805	525

### 23. Pension commitments

Defined benefit schemes

The group operates several defined benefit pension schemes.

The amounts in the financial statements for the year ended 31 December 2004, relating to pensions, are based on full actuarial valuations date between 31 March 2003 and 6 April 2005 using the attained age and projected unit cost methods.

The pension cost charge made for the year ended 31 December 2004 was £1,574,000 (2003 - £1,015,000). An amount of £131,000 (2003 - £85,000) was payable to the funds at the end of the year.

The main financial assumptions used in the actuarial valuations were as follows:

	2004
	%
Inflation	2.8
Rate of increase in salaries	3.8
Rate of increase for pensions	2.8 - 5.0
Discount rate for liabilities	5.3 - 5.5
Results	
Market value of schemes' assets (£'000)	28,233
Level of funding (%)	53% - 78%

The company has taken advantage of the exemption provided in FRS17, for multi-employer schemes, from the disclosure requirements under the current transitional arrangements.

## SITA UK Limited

### Notes to the financial statements For the year ended 31 December 2004

#### 24. Operating lease commitments

At 31 December 2004 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2004	2003	2004	2003
	£000	£000	£000	£000
<b>Expiry date:</b>				
Within 1 year	68	293	41	-
Between 2 and 5 years	340	265	8	53
After more than 5 years	1,263	1,145	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

#### 25. Related party transactions

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 £1,242,000 (2003 - £1,691,000). The company also provides LondonWaste Limited with technical expertise and charged £130,000 (2003 - £100,000) in management fees for this service.

At the balance sheet date the company was owed £3,977,000 (2003 - £4,067,000) 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 a rate of 6% per annum on the outstanding balance. The interest payable in the year was £506,000 (2003 - £560,000). The balance on the loan outstanding at the year end was £8,945,000 (2003 - £9,900,000).

Under the provisions of Financial Reporting Standard 8, the company is not required to disclose details of related party transactions with Group entities which are at least 90% controlled within the group, and the consolidated financial statements in which the company results are included are available to the public.

#### 26. Post balance sheet events

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

#### 27. Ultimate parent undertaking and Controlling party

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 16 Rue de la Ville L'Eveque, Paris, France. The smallest such group is that headed by SITA Holdings UK Limited, a company registered in England & Wales. The consolidated financial statements of the SITA Holdings UK Limited Group may be obtained from SITA House, Grenfell Road, Maidenhead, Berkshire, SL6 1ES.

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.