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**SITA UK LIMITED**

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**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**31 DECEMBER 2003**  
**Registered Number: 2291198**



**SITA UK LIMITED**

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**Company Information**

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<b>Directors</b>	P-A Hjort P Gillatt MR Gordon IA Sexton
<b>Secretary</b>	G Mayes
<b>Company Number</b>	2291198
<b>Registered Office</b>	SITA House Grenfell Road Maidenhead Berkshire SL6 1ES
<b>Auditors</b>	Ernst & Young LLP 1 More London Place London SE1 2AF

# SITA UK LIMITED

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**DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2003**

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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 2003.

**Principal activity and review of the business**

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

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.

SITA Holdings UK Limited, the parent undertaking, restructured its investments in 2003 to make the company the primary operating company within the group.

From January 2003 the industrial and commercial waste collection business was transferred to SITA UK Limited from its fellow subsidiary undertaking, SITA Wastecare Limited. This gives the company a broader business spread and should help to ensure long-term profitability going forward.

**Results and dividends**

The profit for the year after taxation, amounted to £3,941,000 (*2002 - profit of £3,467,000*) and the profit for the year after taxation will be added to reserves.

The directors do not recommend the payment of a dividend (*2002 - £nil*).

**Directors**

The directors who served during the year were as follows:

P Gillatt	(appointed 31 July 2003)
IF Goodfellow	(resigned 31 May 2003)
MR Gordon	
P-A Hjort	(appointed 31 May 2003)
IA Sexton	

**Directors' interests**

No directors who held office on 31 December 2003 had an interest in the company's shares either during the financial year or at 31 December 2003.

The interests of the directors who held office on 31 December 2003 in the shares of the ultimate parent company, Suez SA are reported in the Directors' Report and Financial Statements of the company's UK holding company, SITA Holdings UK Limited for the year ended 31 December 2003.

**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.

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DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2003

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**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.

**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 26 October 2004 and signed on its behalf by:



IA Sexton  
Director

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**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SITA UK LIMITED**

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We have audited the company's financial statements for the year ended 31 December 2003 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.

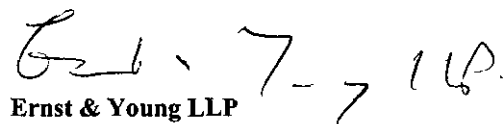
**Basis of audit opinion**

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 2003 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

26 October 2004

**SITA UK LIMITED**

**PROFIT AND LOSS ACCOUNT**  
For the year ended 31 December 2003

	Note	2003 £ '000	2002 £ '000
<b>TURNOVER</b>	2	186,003	96,230
Cost of sales		(166,396)	(88,870)
<b>GROSS PROFIT</b>		19,607	7,360
Administrative expenses		(13,280)	(1,124)
Other operating income		-	30
<b>OPERATING PROFIT</b>		6,327	6,266
Loss on disposal of tangible fixed assets		(44)	(96)
		6,283	6,170
Interest receivable	5	-	610
Interest payable	6	(643)	(1,251)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	3	5,640	5,529
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	7	(1,699)	(2,062)
<b>RETAINED PROFIT FOR THE YEAR</b>	17	3,941	3,467

All amounts relate to continuing operations.

The notes on pages 7 to 21 form an integral part of these financial statements.

**SITA UK LIMITED**

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**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**For the year ended 31 December 2003**

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	<b>2003</b>	<b>2002</b>
	<b>£ '000</b>	<b>£ '000</b>
Profit for the financial year after taxation	3,941	3,467
Restatement of deferred tax under FRS 19	-	298
<b>Total gains and losses relating to the year</b>	<u>3,941</u>	<u>3,765</u>

**SITA UK LIMITED**

**BALANCE SHEET**  
**As at 31 December 2003**

	Note	2003 £ '000	2002 £ '000
<b>FIXED ASSETS</b>			
Goodwill	8	5,228	6,273
Tangible fixed assets	9	58,876	22,937
Investments	10	34,786	34,786
		<u>98,890</u>	<u>63,996</u>
<b>CURRENT ASSETS</b>			
Stocks	11	750	566
Debtors - due within one year	12	58,334	36,907
Cash at bank and in hand		33	54
		<u>59,117</u>	<u>37,527</u>
<b>CREDITORS: amounts falling due within one year</b>	13	<u>(23,794)</u>	<u>(9,297)</u>
<b>NET CURRENT ASSETS</b>		<u>35,323</u>	<u>28,230</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>134,213</u>	<u>92,226</u>
<b>CREDITORS: amounts falling due after more than one year</b>	14	<u>(104,426)</u>	<u>(64,936)</u>
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	15	<u>(2,892)</u>	<u>(4,336)</u>
<b>NET ASSETS</b>		<u>26,895</u>	<u>22,954</u>
<b>CAPITAL AND RESERVES</b>			
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	4,971	1,030
<b>EQUITY SHAREHOLDERS' FUNDS</b>	18	<u>26,895</u>	<u>22,954</u>

The financial statements were approved by the board on 26 October 2004 and signed on its behalf by:



IA Sexton

Director

The notes on pages 7 to 21 form an integral part of these financial statements.

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**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2003**

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**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.

**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.

**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 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.

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**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2003**

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**1.7 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.

**1.8 Stocks**

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

**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 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.

**1.10 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 waste management services to municipal, industrial and commercial customers.

All turnover arose within the United Kingdom.

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**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2003

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**3. OPERATING PROFIT**

Profit on ordinary activities before taxation is stated after charging:

	2003 £ '000	2002 £ '000
Amortisation of goodwill	1,045	1,046
Depreciation of tangible fixed assets		
- owned by the company	12,773	4,211
Operating lease rentals		
- plant & machinery	20	480
- other	1,092	1,160
	<u>1,092</u>	<u>1,160</u>

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.

**4. STAFF COSTS**

	2003 £ '000	2002 £ '000
Wages and salaries	53,584	36,563
Social security costs	5,037	2,991
Other pension costs	1,108	922
	<u>59,729</u>	<u>40,476</u>

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

	2003 No.	2002 No.
Administration and management	91	19
Operations	3,328	2,115
	<u>3,419</u>	<u>2,134</u>

**5. INTEREST RECEIVABLE**

	2003 £ '000	2002 £ '000
Interest receivable from group undertakings	-	610
	<u>-</u>	<u>610</u>

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**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2003**

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**6. INTEREST PAYABLE**

	<b>2003</b>	<b>2002</b>
	<b>£ '000</b>	<b>£ '000</b>
Bank loans and overdrafts	<b>11</b>	<b>612</b>
Finance leases and hire purchase contracts	<b>72</b>	<b>-</b>
Loans from joint ventures	<b>560</b>	<b>639</b>
	<hr/>	<hr/>
	<b>643</b>	<b>1,251</b>
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**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2003**

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

The tax charge is made up as follows:

	2003 £ '000	2002 £ '000
<b>Current tax</b>		
UK corporation tax	1,835	896
Tax (over)/underprovided in previous years	(1,144)	32
Total current tax	<u>691</u>	<u>928</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	504	1,126
Adjustment in respect of prior periods	78	-
Decrease in discount	426	8
	<u>1,008</u>	<u>1,134</u>
Tax on profit on ordinary activities	<u>1,699</u>	<u>2,062</u>

**(b) Factors affecting current tax charge**

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 30% (2002 - 30%). The differences are reconciled below:

	2003 £'000	2002 £'000
Profit on ordinary activities before tax	<u>5,640</u>	<u>5,529</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2002 - 30%)	1,692	1,659
Expenses not deductible for tax purposes (including goodwill amortisation)	488	370
Accelerated capital allowances	(314)	(223)
Tax losses brought forward utilised in year	-	(910)
Tax (over)/underprovided in previous years	(1,144)	32
Other timing differences	(31)	-
Total current tax	<u>691</u>	<u>928</u>

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**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2003

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

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

	2003 £'000	2002 £'000
Included in provisions for liabilities and charges (note 15)	(1,844)	(836)
	<u>(1,844)</u>	<u>(836)</u>
Comprising:		
Accelerated capital allowances	(2,354)	(1,824)
Other timing differences	848	900
	<u>(1,506)</u>	<u>(924)</u>
Discount	(338)	88
	<u>(1,844)</u>	<u>(836)</u>
		£'000
At 1 January 2003		(836)
Deferred tax charge in the profit and loss account		(1,008)
		<u>(1,844)</u>
At 31 December 2003		<u>(1,844)</u>

**8. GOODWILL**

	£ '000
<b>Cost:</b>	
At 1 January 2003	10,454
At 31 December 2003	<u>10,454</u>
<b>Amortisation:</b>	
At 1 January 2003	4,181
Charge for year	1,045
At 31 December 2003	<u>5,226</u>
<b>Net Book Value</b>	
At 31 December 2003	<u>5,228</u>
At 31 December 2002	<u>6,273</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2003

**9. TANGIBLE FIXED ASSETS**

	Freehold property £ '000	Short leasehold property £ '000	Plant & machinery £ '000	Vehicles £ '000	Fixtures & fittings £ '000	Total £ '000
<b>Cost or Valuation</b>						
1 January 2003	1,126	2,273	5,722	36,392	986	46,499
Reclassifications	255	(255)	-	-	-	-
Additions	123	134	3,810	6,186	114	10,367
Disposals	(2,110)	(575)	(9,307)	(8,365)	(1,716)	(22,073)
Transfers from group companies	12,765	2,777	19,109	51,933	1,468	88,052
<b>At 31 December 2003</b>	<b>12,159</b>	<b>4,354</b>	<b>19,334</b>	<b>86,146</b>	<b>852</b>	<b>122,845</b>
<b>Depreciation</b>						
At 1 January 2003	233	1,204	4,108	17,166	851	23,562
Reclassifications	(390)	390	-	-	-	-
Charge for the year	351	135	2,005	10,066	216	12,773
Disposals	(312)	(75)	(8,113)	(7,787)	(1,672)	(17,959)
Transfers from/(to) group companies	2,530	(196)	12,628	29,486	1,145	45,593
<b>At 31 December 2003</b>	<b>2,412</b>	<b>1,458</b>	<b>10,628</b>	<b>48,931</b>	<b>540</b>	<b>63,969</b>
<b>Net Book Value</b>						
At 31 December 2003	<b>9,747</b>	<b>2,896</b>	<b>8,706</b>	<b>37,215</b>	<b>312</b>	<b>58,876</b>
<i>At 31 December 2002</i>	<i>893</i>	<i>1,069</i>	<i>1,614</i>	<i>19,226</i>	<i>135</i>	<i>22,937</i>

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**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2003

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**9. TANGIBLE FIXED ASSETS (continued)**

Included above are assets held under finance leases or hire purchase contracts as follows:

	2003 £ '000	2002 £ '000
Plant & machinery	311	-

**10. FIXED ASSET INVESTMENTS**

	Shares in group undertakings £ '000
<b>Cost</b>	
At 1 January 2003	34,786
At 31 December 2003	34,786

<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	Dormant	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**

	2003 £ '000	2002 £ '000
Raw materials and consumables	750	566

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2003

**12. DEBTORS**

	2003 £ '000	2002 £ '000
<b>Amounts receivable within one year</b>		
Trade debtors	43,137	16,272
Amounts owed by group undertakings	4,669	11,751
Amounts owed by joint venture	4,067	4,232
Other debtors	280	60
Prepayments and accrued income	6,181	4,592
	<u>58,334</u>	<u>36,907</u>

**13. CREDITORS: amounts falling due within one year**

	2003 £ '000	2002 £ '000
Net obligations under finance lease and hire purchase contracts	506	-
Corporation tax	1,791	1,552
Social security and other taxes	5,746	-
Other creditors	1,750	1,356
Accruals and deferred income	14,001	6,389
	<u>23,794</u>	<u>9,297</u>

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

	2003 £ '000	2002 £ '000
Net obligations under finance lease and hire purchase contracts	146	-
Amounts owed to group undertakings	94,380	53,641
Amounts owed to joint ventures	9,900	11,295
	<u>104,426</u>	<u>64,936</u>

Included within the above are amounts falling due as follows:

**In 1 - 2 years:**

Finance lease and hire purchase obligations	<u>67</u>	<u>-</u>
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**In 2 - 5 years:**

Finance lease and hire purchase obligations	<u>79</u>	<u>-</u>
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**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2003

**15. PROVISIONS FOR LIABILITIES AND CHARGES**

	Deferred tax liability £ '000	Onerous contracts £ '000	Total £ '000
At 1 January 2003	836	3,500	4,336
Charged to profit and loss account	1,008	650	1,658
Credited to profit and loss account	-	(3,102)	(3,102)
At 31 December 2003	<u>1,844</u>	<u>1,048</u>	<u>2,892</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**

	2003 £ '000	2002 £ '000
<b>Authorised</b>		
20,000,000 (2002 - 20,000,000) ordinary shares of £1 each	<u>20,000</u>	<u>20,000</u>
<b>Allotted, called up and fully paid</b>		
10,130,696 (2002 - 10,130,696) ordinary shares of £1 each	<u>10,131</u>	<u>10,131</u>

**17. RESERVES**

	Share premium account £ '000	Other reserves £ '000	Profit and loss account £ '000	Total £ '000
At 1 January 2003	11,733	60	1,030	12,823
Retained profit for the year	-	-	3,941	3,941
At 31 December 2003	<u>11,733</u>	<u>60</u>	<u>4,971</u>	<u>16,764</u>

**18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	2003 £ '000	2002 £ '000
Profit for the year	3,941	3,467
Opening shareholders' funds	<u>22,954</u>	<u>19,487</u>
Closing shareholders' funds	<u>26,895</u>	<u>22,954</u>

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**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2003**

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**19. CONTINGENT LIABILITIES**

The company has provided unsecured guarantees to third parties in respect of performance bonds. At 31 December 2003 guarantees outstanding amounted to £6,070,000 (2002 - £5,174,000).

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 2003 was £23,703,000 (2002 - £34,138,000).

**20. CAPITAL COMMITMENTS**

At 31 December 2003 the company had capital commitments as follows:

	2003 £ '000	2002 £ '000
Contracted for but not provided in these accounts	525	16

**21. OTHER COMMITMENTS**

At 31 December 2003 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2003 £ '000	2002 £ '000	2003 £ '000	2002 £ '000
<b>Expiry date:</b>				
Within 1 year	293	156	-	20
Between 2 and 5 years	265	211	53	-
In more than 5 years	1,145	725	-	-
	<u>1,703</u>	<u>1,092</u>	<u>53</u>	<u>20</u>

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**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2003

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**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%
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Amounts charged in the profit and loss account during the period for the defined benefit scheme were £1,015,000 (2002 - £899,000). An amount of £85,000 (2002 - £75,000) 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 2003. Scheme assets are stated at their market value at 31 December 2003.

	2003	2002
	%	%
Main assumptions:		
Rate of salary increases	3.8	3.9
Rate of increase in pensions in payment	2.8	2.1
Discount rate	5.3	5.4
Inflation assumption	2.8	2.4

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**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2003**

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**22. PENSION COMMITMENTS (continued)**

The assets and liabilities of the schemes and the expected rate of return at 31 December 2003 are:

	Average long-term		Average long-term	
	rate of return		rate of return	
	expected	Value	expected	Value
	2003	2003	2002	2002
	%	£'000	%	£'000
Equities	7.0	8,682	6.0	6,317
Bonds	5.3	1,343	4.0	1,214
Other	3.5	<u>563</u>	4.0	<u>557</u>
Total market value of assets		10,588		8,088
Present value of scheme liabilities		<u>(17,852)</u>		<u>(14,518)</u>
Pension liability before deferred tax		(7,264)		(6,430)
Related deferred tax asset		<u>2,179</u>		<u>1,929</u>
Net pension liability		<u>(5,085)</u>		<u>(4,501)</u>

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

	£'000
Current service cost	<u>1,422</u>
Total operating charge	<u>1,422</u>

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

	£'000
Expected return on pension scheme assets	476
Interest on pension scheme liabilities	<u>(814)</u>
Net return	<u>(338)</u>

**Analysis of the movement in scheme deficit in the year**

	£'000
Deficit at 31 December 2002	(6,430)
Current service cost	(1,422)
Contributions paid	1,380
Other finance income	(469)
Actuarial losses	<u>(323)</u>
Deficit at 31 December 2003	<u>(7,264)</u>

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**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2003

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**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	1,085
Experience gains on the liabilities	86
Changes in assumptions underlying the present value of the scheme liabilities	<u>(1,495)</u>
Actuarial loss recognised in the STRGL	<u>(324)</u>

**History of experience gains and losses**

Difference between actual and expected return on scheme assets	1,085
- as % of scheme assets	10%
Experience gains	86
- as % of liabilities	0%
Total amount recognised in STRGL	(324)
- as % of liabilities	-2%

**Defined contribution schemes**

The company also operates a defined contribution scheme for which the pension cost charge for the year amounted to £93,000 (2002 - £23,000). At 31 December 2003 the amount payable to the scheme was £8,000 (2002 - £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 £1,691,000 (2002 - £1,630,000). The company also provides LondonWaste Limited with technical expertise and charged £100,000 (2002 - £270,000) in management fees for this service.

At the balance sheet date the company was owed £4,067,000 (2002 - £4,232,000) 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 £560,000 (2002 - £639,000). The balance on the loan outstanding at the year end was £9,900,000 (2002 - £11,295,000).

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.

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**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2003**

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**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 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 and Wales. The consolidated financial statements of SITA Holdings UK Limited may be obtained from SITA House, Grenfell Road, Maidenhead, Berkshire, SL6 1ES.