

**Northumberland Waste Management Limited**

**Annual Report**

**for the year ended 31 December 1998**

**Registered number : 2618280**



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# **NORTHUMBERLAND WASTE MANAGEMENT LIMITED**

## **Annual Report for the year ended 31 December 1998**

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**COMPANY REGISTRATION NUMBER:** 2618280

**REGISTERED OFFICE:** The Pickeridge  
Stoke Common Road  
Fulmer  
Bucks  
SL3 6HA

## **NORTHUMBERLAND WASTE MANAGEMENT LIMITED**

### **Directors' report for the year ended 31 December 1998**

The directors present their report and the audited financial statements for the year ended 31 December 1998.

#### **Principal activities**

The principal activities of the company are the provision of waste treatment and disposal facilities.

#### **Review of the business and future developments**

The company made a profit before tax of £181,473 (1997: £906,365).

The profit after taxation for the period ended 31 December 1998 was £790,246 (1997: £524,898). The directors do not recommend the payment of a dividend and the retained profit for the year ended 31 December 1998 will be transferred to reserves.

On 22 December 1998, Northumbrian Water Group plc sold its 100% shareholding in Northumbrian Environmental Management Limited, of which this company is a subsidiary, to S.I.T.A. Holding UK Limited.

#### **Year 2000**

The directors have assessed the risks and uncertainties associated with the year 2000 problem and have implemented a plan to ensure that the year 2000 will not adversely impact upon the systems in use. The cost of implementation is not considered to be significant.

#### **Directors**

The directors of the company during the year ended 31 December 1998 were:

I F Goodfellow	
C M Green	Resigned 19 May 1999
P Taylor	Resigned 19 May 1999
J C Hutton	Resigned 19 May 1999

On 19 May 1999 Messrs. M Gordon, G Graveson, D Hespe, J F Leaver, R A Searby, S J Thorne and B E Ward were appointed additional directors of the company.

#### **Directors' interests**

No director who held office on 31 December 1998 had an interest in the company's shares either during the financial period or at 31 December 1998.

The interests of the directors who held office on 31 December 1998 in the ordinary shares and debentures of the ultimate parent company, Suez Lyonnaise des Eaux SA are reported in the Directors' Report and Accounts of the company's holding company, Northumbrian Environmental Management Limited, for the year ended 31 December 1998.

**NORTHUMBERLAND WASTE MANAGEMENT LIMITED**

**Directors' report  
for the year ended 31 December 1998 (*continued*)**

**Auditors**

The company has appointed Arthur Andersen as its auditors and has, by elective resolution pursuant to section 386 of the Companies Act 1985, dispensed with the obligation to appoint auditors annually.

**Statement of directors' responsibilities**

The directors are required by UK company law to prepare financial statements for each financial period that give a true and fair view of the state of affairs of the company as at the end of the financial period and of the profit or loss of the company for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the period ended 31 December 1998. The directors also confirm that applicable Accounting Standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

By order of the Board



**R A Searby**  
*Director*

19 January 2000

## **Auditors' report**

### **To the shareholders of Northumberland Waste Management Limited:**

We have audited the financial statements on pages 4 to 13 which have been prepared under the historical cost convention and the accounting policies set out on pages 6 and 7.

### **Respective responsibilities of directors and auditors**

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.


### **Basis of opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the 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 at 31 December 1998 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen  
Chartered Accountants and Registered Auditors  
Pearl Assurance House  
7 New Bridge Street  
Newcastle upon Tyne  
NE1 8BQ

28 January 2000

# **NORTHUMBERLAND WASTE MANAGEMENT LIMITED**

## **Profit and loss account for the year ended 31 December 1998**

	Note	12 months to 31 December 1998 £	9 months to 31 December 1997 £
Turnover	2.	6,438,103	6,094,669
Cost of sales		<u>(5,398,978)</u>	<u>(4,816,526)</u>
<b>Gross profit</b>		<b>1,039,125</b>	<b>1,278,143</b>
Administration expenses		-	(389,000)
Exceptional item: adjustment to landfill restoration and aftercare provisions		<u>(728,622)</u>	<u>-</u>
<b>Operating profit</b>		<b>310,503</b>	<b>889,143</b>
Net interest (payable) / receivable	7.	<u>(129,030)</u>	<u>17,222</u>
<b>Profit on ordinary activities before taxation</b>	2. & 3.	<b>181,473</b>	<b>906,365</b>
Tax on profit on ordinary activities	8.	<u>608,773</u>	<u>(381,467)</u>
<b>Retained profit for the year / period</b>	16.	<u><b>790,246</b></u>	<u><b>524,898</b></u>

All turnover and operating profits have arisen from the continuing operations of the business. The company has no recognised gains and losses other than those included in the profits above and therefore no separate statement of total recognised gains and losses has been presented.

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

The notes on pages 6 to 13 form part of these financial statements.

**NORTHUMBERLAND WASTE MANAGEMENT LIMITED**

**Balance sheet  
as at 31 December 1998**

	Note	31 December 1998 £	31 December 1997 £
<b>Fixed assets</b>			
Tangible assets	9.	<u>12,355,417</u>	<u>6,464,708</u>
<b>Current assets</b>			
Debtors	10.	1,393,039	1,395,402
Cash at bank and in hand		<u>416,337</u>	<u>65</u>
		<b>1,809,376</b>	<b>1,395,467</b>
<b>Creditors : amounts falling due within one year</b>	11.	<u>(5,468,972)</u>	<u>(4,002,012)</u>
<b>Net current liabilities</b>		<u><b>(3,659,596)</b></u>	<u><b>(2,606,545)</b></u>
<b>Total assets less current liabilities</b>		<b>8,695,821</b>	<b>3,858,163</b>
<b>Creditors : amounts falling due after more than one year</b>	12.	(83,776)	(91,014)
<b>Provisions for liabilities and charges</b>	13.	<u>(4,442,317)</u>	<u>(3,900,439)</u>
<b>Net assets / (liabilities)</b>		<u><b>4,169,728</b></u>	<u><b>(133,290)</b></u>
<b>Capital and reserves</b>			
Called up share capital	14.	1,300,002	1,300,002
Reserves	15.	<u>2,869,726</u>	<u>(1,433,292)</u>
<b>Equity shareholders' funds / (deficit)</b>	16.	<u><b>4,169,728</b></u>	<u><b>(133,290)</b></u>

The financial statements on pages 4 to 13 were approved by the Board of Directors on 19 January 2000 and were signed on its behalf by:



**R A Searby**  
Director

The notes on pages 6 to 13 form part of these financial statements.

## **NORTHUMBERLAND WASTE MANAGEMENT LIMITED**

### **Notes to the financial statements for the year ended 31 December 1998**

#### **1. Principal Accounting Policies**

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

##### **a) Basis of accounting**

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets.

##### **b) Going concern**

The company has net current liabilities at 31 December 1998. The directors have prepared the financial statements on a going concern basis as the company's immediate parent undertaking has confirmed its intention to provide financial support for the foreseeable future.

##### **b) Cash flow statement**

The company is exempt from the requirement of FRS1 (revised) to prepare a cashflow statement as it is a wholly owned subsidiary undertaking of S.I.T.A. Holding UK Limited and the consolidated financial statements of that company are publicly available.

##### **c) Turnover**

Turnover, which excludes value added tax but includes landfill tax, represents the income receivable in the ordinary course of business for the provision of waste treatment and disposal facilities.

##### **d) Tangible fixed assets and depreciation**

Tangible fixed assets are included at cost together with any incidental expenses of acquisition less accumulated depreciation and any provision for impairment.

Landfill sites are depreciated on the basis of airspace used in the period in relation to the total airspace of the site.

Other assets are depreciated on a straight line basis over their useful economic lives to an expected residual value. The number of years over which assets are depreciated are as follows:

	<b>Number of years</b>
Plant and machinery	2 - 10
Motor vehicles	4
Fixtures, fittings, tools and equipment	5

##### **e) Pension scheme arrangements**

The cost of providing pension benefits is charged to the profit and loss account so as to spread the cost over the expected average service lives of employees. Differences between the amounts funded and amounts charged to the profit and loss account are treated as either prepayments or provisions in the balance sheet.

##### **f) Taxation**

Corporation tax payable is provided on taxable profits at the current rate. Timing differences arise from the inclusion of items of income and expenditure in tax computations in periods different from those in which they are included in the financial statements.

Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is probable that a liability or asset will crystallise in the foreseeable future. Provision is made at the rate which is expected to apply when the liability or asset crystallises.



# **NORTHUMBERLAND WASTE MANAGEMENT LIMITED**

## **Notes to the financial statements for the year ended 31 December 1998 (continued)**

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

#### **h) Landfill restoration and aftercare provisions**

Provisions for restoration and aftercare costs include costs associated with the closure and post-closure of landfill site. The company estimates its total future cost requirements for closure costs and post-closure monitoring and maintenance of the site after the anticipated closure. The provisions include final capping of the site, site inspection, ground water monitoring, leachate management, methane gas control and recovery and operation and maintenance costs to be incurred during the period after the site closes. The company makes provision for restoration and aftercare costs as the permitted airspace is used and an obligation arises.

Aftercare provisions have been shown at net present value. The current cost estimate has been inflated at 2% and discounted by 5%.

#### **i) Operating leases**

Rentals under operating leases are charged on a straight-line basis over the lease term.

#### **j) Grants**

Capital grants relating to assets are treated as deferred income and amortised in the profit and loss account over the expected useful economic lives of the qualifying assets.

### **2. Turnover and profit on ordinary activities before taxation**

Turnover and the profit on ordinary activities before taxation are attributable to the company's principal activities, the provision of waste treatment and disposal facilities. Turnover consists entirely of sales made in the United Kingdom.

### **3. Profit on ordinary activities before taxation**

	<b>12 months to 31 December 1998 £</b>	<b>9 months to 31 December 1997 £</b>
Profit on ordinary activities before taxation is stated after charging / (crediting):		
Depreciation of owned tangible fixed assets	<b>759,973</b>	453,358
Auditors' remuneration - audit	-	4,500
Operating leases - land and buildings	<b>40,900</b>	(111,762)
Operating leases - other	<b>27,933</b>	89,264
Exceptional item: adjustment to landfill restoration and aftercare provisions	<b>368,929</b>	-
Loss on sale of tangible fixed assets	<b>9,160</b>	7,386

The current year audit fee has been borne by Northumbrian Environmental Management Limited.

The exceptional charge is as a result of adjusting the landfill restoration and aftercare provisions in line with S.I.T.A. Group policy.

### **4. Directors' emoluments**

No director received any remuneration for services as a director of the company in the year ended 31 December 1998 (1997: £nil).

### **5. Transactions with directors and officers**

There are no transactions or arrangements which would be disclosable under the provisions of the Companies Act 1985.

# NORTHUMBERLAND WASTE MANAGEMENT LIMITED

## Notes to the financial statements for the year ended 31 December 1998 (continued)

### 6. Employee information

The average monthly number of persons (including executive directors) employed by the company during the period was:

By activity	12 months to 31 December 1998 Number	9 months to 31 December 1997 Number
Operational	11	12
Administration	7	7
	<u>18</u>	<u>19</u>
<b>Staff costs (for the above persons)</b>	<b>£</b>	<b>£</b>
Wages and salaries	494,758	289,736
Social security costs	33,773	23,397
Other pension costs	32,916	27,740
	<u>561,447</u>	<u>340,873</u>

### 7. Net interest (payable) / receivable

	12 months to 31 December 1998 £	9 months to 31 December 1997 £
<b>Interest payable</b>		
On bank loans and overdrafts	(165,101)	(7,573)
On group loans	<u>(7,167)</u>	<u>-</u>
	<u>(172,268)</u>	<u>(7,573)</u>
<b>Interest receivable</b>		
Bank interest receivable	-	24,793
Other interest receivable	<u>43,238</u>	<u>2</u>
	<u>43,238</u>	<u>24,795</u>
<b>Net interest (payable) / receivable</b>	<b><u>(129,030)</u></b>	<b><u>17,222</u></b>

### 8. Tax on profit on ordinary activities

	12 months to 31 December 1998 £	9 months to 31 December 1997 £
United Kingdom corporation tax at 31% (1997: 31%):		
Current	-	372,593
(Over)/Under provision in respect of prior years	<u>(608,773)</u>	<u>8,874</u>
<b>Tax charge</b>	<b><u>(608,773)</u></b>	<b><u>381,467</u></b>

The tax charge for the year has been reduced by approximately £270,000 (1997: increased by £61,000) by the non-provision of a deferred tax asset and increased by approximately £92,000 (1997: £33,000) arising from the depreciation of freehold landfill sites for which no other relief is available for corporation tax purposes. In addition, the tax credit for the year has been reduced by approximately £103,000 (1997: £Nil) due to the surrender of tax losses to a fellow group company for no charge.

# **NORTHUMBERLAND WASTE MANAGEMENT LIMITED**

## **Notes to the financial statements** for the year ended 31 December 1998 (continued)

### **9. Tangible fixed assets**

	Landfill sites £	Leasehold land and buildings £	Fixtures and fittings £	Motor vehicles £	Operational structures plant & machinery £	Total £
<b>Cost</b>						
At 1 Jan 1998	5,925,047	19,479	112,479	2,747	2,107,493	8,167,245
Additions	637,938	32,739	1,891	-	2,573,670	3,246,238
Revaluation	2,136,052	-	-	-	-	2,136,052
Transfers	(60,524)	-	(7,333)	-	67,857	-
Disposals	(10,500)	(1,200)	-	-	(62,159)	(73,859)
<b>At 31 Dec 1998</b>	<b>8,628,013</b>	<b>51,018</b>	<b>107,037</b>	<b>2,747</b>	<b>4,686,861</b>	<b>13,475,676</b>
<b>Depreciation</b>						
At 1 Jan 1998	1,383,504	793	73,215	503	244,522	1,702,537
Charge for period	505,150	2,006	14,943	-	237,874	759,973
Adjustments on Revaluation	(1,309,862)	-	-	-	-	(1,309,862)
Disposals	(9,184)	-	-	-	(23,205)	(32,389)
<b>At 31 Dec 1998</b>	<b>569,608</b>	<b>2,799</b>	<b>88,158</b>	<b>503</b>	<b>459,191</b>	<b>1,120,259</b>
<b>Net book value</b>						
<b>At 31 Dec 1998</b>	<b>8,058,405</b>	<b>48,219</b>	<b>18,879</b>	<b>2,244</b>	<b>4,227,670</b>	<b>12,355,417</b>
At 31 Dec 1997	4,541,543	18,686	39,264	2,244	1,862,971	6,464,708

### **10. Debtors**

	31 December 1998 £	31 December 1997 £
<i>Amounts falling due within one year:</i>		
Trade debtors	1,121,828	1,191,975
Amounts owed by parent and fellow subsidiary undertakings	136,667	75,317
Other debtors	2,328	3,593
Prepayments and accrued income	132,216	124,517
	<b>1,393,039</b>	<b>1,395,402</b>

### **11. Creditors : amounts falling due within one year**

	31 December 1998 £	31 December 1997 £
Bank loans and overdrafts	-	749,594
Trade creditors	9,637	40,092
Amounts owed to parent and fellow subsidiary undertakings	4,336,984	1,243,766
Corporation tax	3,566	844,853
Other taxation and social security payable	904,284	875,895
Other creditors	-	1,025
Accruals and deferred income	214,501	246,787
	<b>5,468,972</b>	<b>4,002,012</b>

Included in amounts owed to parent and fellow subsidiary undertakings is £6,481 (1997:£134,536) in respect of surrendered ACT.

# **NORTHUMBERLAND WASTE MANAGEMENT LIMITED**

## **Notes to the financial statements for the year ended 31 December 1998 (continued)**

### **12. Creditors : amounts falling due after more than one year**

	<b>31 December 1998 £</b>	<b>31 December 1997 £</b>
Deferred income - grants	<u><b>83,776</b></u>	<u><b>91,014</b></u>

### **13. Provisions for liabilities and charges**

#### **a) Deferred taxation**

Deferred taxation provided in the financial statements and the full potential liability / (asset) are as follows:

	<b>Amount provided 31 December 1998 £</b>	<b>31 December 1997 £</b>
Timing differences arising from:		
Accelerated capital allowances	-	-
Other	-	-
	<u>-</u>	<u>-</u>
	<u><b>-</b></u>	<u><b>-</b></u>
	<b>Full potential liability / (asset)</b>	
	<b>31 December 1998 £</b>	<b>31 December 1997 £</b>
Timing differences arising from:		
Accelerated capital allowances	<b>104,785</b>	39,406
Other	<u><b>(463,316)</b></u>	<u>(631,476)</u>
	<u><b>(358,531)</b></u>	<u><b>(592,070)</b></u>

There has been no movement on the provision for deferred taxation in the period ended 31 December 1998.

#### **b) Landfill restoration and aftercare provision**

	<b>£</b>
Amount provided at 1 January 1998	<b>3,900,439</b>
Profit and loss account	<b>322,193</b>
Exceptional charge	<b>728,622</b>
Utilised in period	<u><b>(508,937)</b></u>
Amount provided at 31 December 1998	<u><b>4,442,317</b></u>

The exceptional charge is as a result of adjusting the landfill restoration and aftercare provisions in line with S.I.T.A. Group policy.

# **NORTHUMBERLAND WASTE MANAGEMENT LIMITED**

## **Notes to the financial statements for the year ended 31 December 1998 (continued)**

### **14. Called up share capital**

	31 December 1998 £	31 December 1997 £
<b>Authorised:</b>		
1,500,000 ordinary shares of £1 each	<u>1,500,000</u>	<u>1,500,000</u>
<b>Allotted, called up and fully paid:</b>		
1,300,002 ordinary shares of £1 each	<u>1,300,002</u>	<u>1,300,002</u>

### **15. Reserves**

	Revaluation reserve £	Profit and loss account £	Total £
At 1 January 1998	-	(1,433,292)	(1,433,292)
Surplus on revaluation of landfill sites	3,512,772	-	3,512,772
Retained profit for the period	-	790,246	790,246
<b>At 31 December 1998</b>	<u>3,512,772</u>	<u>(643,046)</u>	<u>2,869,726</u>

### **16. Reconciliation of movements in equity shareholders' funds / (deficit)**

	31 December 1998 £	31 December 1997 £
Opening equity shareholders' deficit	(133,290)	(658,188)
Retained profit for the year / period	790,246	524,898
Surplus on revaluation of landfill sites	<u>3,512,772</u>	<u>-</u>
<b>Closing equity shareholders' funds / (deficit)</b>	<u>4,169,728</u>	<u>(133,290)</u>

# **NORTHUMBERLAND WASTE MANAGEMENT LIMITED**

## **Notes to the financial statements for the year ended 31 December 1998 (continued)**

### **17. Commitments and contingent liabilities**

	31 December 1998 £	31 December 1997 £
<b>a) Capital expenditure</b>		
Approved by the directors, contracted for but not yet provided	<u>1,918,466</u>	<u>2,571,819</u>

### **b) Lease commitments**

At 31 December 1998 the company had annual commitments in respect of non-cancellable operating leases for land and buildings and other assets as follows:

	<b>As at 31 December 1998</b>		<b>As at 31 December 1997</b>	
	<b>Land and buildings £</b>	<b>Other £</b>	<b>Land and buildings £</b>	<b>Other £</b>
Expiring between one and five years inclusive	-	10,986	-	58,051
After five years	<u>450,000</u>	<u>-</u>	<u>450,000</u>	<u>-</u>
	<u>450,000</u>	<u>10,986</u>	<u>450,000</u>	<u>58,051</u>

### **c) Contingent liabilities**

At 31 December 1997, 'Northumberland Waste Management Limited was party to a cross guarantee arrangement with other group companies in respect of bank overdrafts. The potential liability outstanding at 31 December 1997 was £24.5m.

### **18. Pensions**

Retirement benefits for employees are provided by a Local Authority Waste Disposal Company defined benefit scheme to which contributions are made by the company and its employees. Contributions are paid in accordance with the recommendations of a firm of independent actuaries.

The scheme is administered by an independent trustee company. The latest actuarial valuation of the scheme was carried out as at 31 March 1995.

The current pension cost for providing pension benefits has been assessed as 13% of pensionable pay using the attained age method over the remaining expected working lifetime of existing active members using the following assumptions:

Investment return	9% pa
Salary increases	7% pa
Pension increases	5% pa

The market value of the scheme's assets was £559,751 at the date of the valuation which represented a funding level of 99%. The deficit on the pension scheme should be eliminated by the current employer's contribution rate of 13% of pensionable earnings.

## **NORTHUMBERLAND WASTE MANAGEMENT LIMITED**

### **Notes to the financial statements for the year ended 31 December 1998 (continued)**

#### **19. Related party transactions**

At 31 December 1998 the company was a wholly owned subsidiary undertaking of S.I.T.A. Holding UK Limited, a company that produces publicly available accounts in which the company is included. Consequently the company is exempt under the terms of Financial Reporting Standard No 8 'Related Party Disclosures' from disclosing related party transactions with other members of the group headed by S.I.T.A. Holding UK Limited. There are no other related party transactions.

#### **20. Ultimate parent company**

The company's ultimate parent company and controlling party is Suez Lyonnaise des Eaux SA, a company incorporated in France. The largest group of which the company is member and for which consolidated accounts are prepared is Suez Lyonnaise des Eaux SA and copies of the consolidated accounts are available to the public from Suez Lyonnaise des Eaux SA, 1 Rue d'Astorg, Paris, France.

The smallest such group is that headed by S.I.T.A. Holding UK Limited. The consolidated accounts of the S.I.T.A. Holding UK Group may be obtained from The Pickeridge, Stoke Common Road, Fulmer, Buckinghamshire, SL3 6HA.

S.I.T.A. Holding UK Limited is registered in England and Wales.