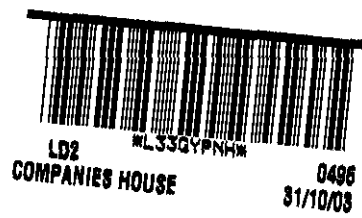


Registration No: 2692681

TYSELEY WASTE DISPOSAL LIMITED

ANNUAL REPORT

YEAR ENDED 31 DECEMBER 2002



TYSELEY WASTE DISPOSAL LIMITED

Annual report and financial statements for the year ended 31 December 2002

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Directors	MJJ Gourvennec JM Kutner C Cyr C Le Guidec R Morin S F Sim
Secretary	JM Kutner
Registered office	James Road Tyseley Birmingham B11 2BA
Auditors	RSM Robson Rhodes LLP 186 City Road London EC1V 2NU

TYSELEY WASTE DISPOSAL LIMITED

Report of the directors for the year ended 31 December 2002

The directors present their report together with the audited financial statements for the year ended 31 December 2002.

Principal activities

The principal activity of the company is the disposal of domestic and commercial waste. The Energy from Waste Plant disposes of burnable waste and produces 25 megawatts of electricity which is sold into the National Grid.

Review of business and future developments

The plant continued to operate to a satisfactory level and is expected to do so in the future.

Dividends

A dividend of £2.0 million was declared during the year (2001: £1.5 million).

Directors

The directors of the company, all of whom held office throughout the year were:

MJJ Gourvennec
JM Kutner
C Cyr
C Le Guidec
R Morin
S F Sim

None of the directors has any interest in the shares of the company, or the shares of any other company within the CGEA U.K. Plc Group.

Employees

The company consults staff on matters of concern to them in the context of their employment, and encourages the involvement of employees in the company's performance.

Employment of disabled people

The company supports the employment of disabled people wherever possible, having regard to their particular aptitudes and abilities, through recruitment, by retention of those who become disabled during their employment and generally through training, career development and promotion.

Auditors

On 3 May 2003, the auditors RSM Robson Rhodes transferred their business to RSM Robson Rhodes LLP.

The auditors are willing to continue in office. A resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

TYSELEY WASTE DISPOSAL LIMITED

Report of the directors for the year ended 31 December 2002 (continued)

Payment to suppliers

The company agrees payment terms with its suppliers when it enters into binding purchase contracts. The company seeks to abide by the payment terms agreed with suppliers whenever it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. The company seeks to treat all its suppliers fairly, but it does not have a standard or code which deals specifically with the payment of suppliers. The company had 48 days purchases outstanding based on the average daily amount invoiced by suppliers during the year ended 31 December 2002 (2001: 45 days).

Statement of directors' responsibilities for the annual report

Company law in the United Kingdom requires the directors to prepare accounts 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 accounts, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom accounting standards have been followed;
- prepare the accounts 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 accounts 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.

The directors are responsible for ensuring that the directors' report and other information included in the Annual Report is prepared in accordance with Company Law in the United Kingdom.

By order of the Board:



J Kutner
Secretary

28 October 2003

TYSELEY WASTE DISPOSAL LIMITED

Report of the Auditors for the year ended 31 December 2002

Independent Auditors' Report to the Shareholders of Tyseley Waste Disposal Limited

We have audited the financial statements on pages 4 to 19.

This report is made solely to the company's shareholders, 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 shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

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 information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any information outside the Annual Report.

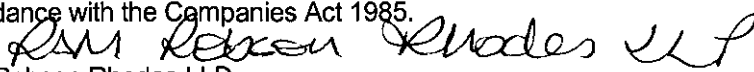
Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


RSM Robson Rhodes LLP
Chartered Accountants and Registered Auditors
London, England
28 October 2003

TYSELEY WASTE DISPOSAL LIMITED

Profit and loss account for the year ended 31 December 2002

	Note	Continuing operations	
		2002 £'000	2001 £'000
Turnover	2	31,880	30,670
Operating costs		(20,308)	(21,871)
Gross profit		<u>11,572</u>	<u>8,799</u>
Administration expenses and overheads		(4,394)	(2,123)
Operating profit	3	<u>7,178</u>	<u>6,676</u>
Interest receivable and similar income	6	642	805
Interest payable and similar charges	7	(5,142)	(5,387)
Profit on ordinary activities before taxation		<u>2,678</u>	<u>2,094</u>
Tax on profit on ordinary activities	8	(642)	(503)
Profit on ordinary activities after taxation		<u>2,036</u>	<u>1,591</u>
Dividends paid and proposed	9	(2,000)	(1,500)
Retained profit for the financial year	17,18	<u><u>36</u></u>	<u><u>91</u></u>

The notes on pages 6 to 19 form part of these statements.

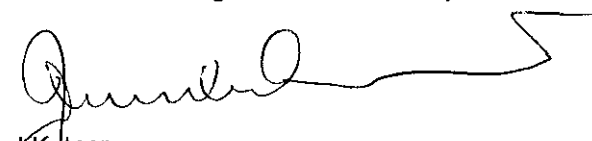
The company has no recognised gains and losses other than those included in the above figures, and therefore no separate statement of total recognised gains and losses has been presented.

TYSELEY WASTE DISPOSAL LIMITED

Balance sheet as at 31 December 2002

	Note	2002 £'000	2001 £'000
Fixed assets			
Tangible assets	10	75,333	79,097
Current assets			
Stocks	11	1,657	1,550
Debtors	12	20,120	20,766
Cash at bank and in hand		7,979	7,874
		<u>29,756</u>	<u>30,190</u>
Creditors: amounts falling due within one year	13	(12,326)	(13,119)
Net current assets		<u>17,430</u>	<u>17,071</u>
Total assets less current liabilities		<u>92,763</u>	<u>96,168</u>
Creditors: amounts falling due after more than one year	14	(65,816)	(68,960)
Provision for liabilities and charges	15	(19,790)	(20,087)
Net assets		<u>7,157</u>	<u>7,121</u>
Capital and reserves			
Called up share capital	16	5,100	5,100
Profit and loss account	17	2,057	2,021
Equity shareholders' funds	18	<u>7,157</u>	<u>7,121</u>

The financial statements on pages 4 to 19 were approved by the Board of Directors on 28 October 2003 and were signed on its behalf by:


 J Kutner
 Director

TYSELEY WASTE DISPOSAL LIMITED

Notes to the financial statements for the year ended 31 December 2002

1 Accounting policies

Basis of accounting

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom under the historical cost convention, using the following significant accounting policies.

New accounting standards

Financial Reporting Standard 17 "Retirement Benefits" need not be applied in full until the 2005 accounts, so as in previous years expenses have been charged under SSAP 24. Some additional disclosures are given as required by Financial Reporting Standard 17 (see note 22).

FRS 19 "Deferred Tax" has been adopted for the first time in these financial statements. There were no changes to current or comparative amounts as a result of applying the new accounting policy that is described below.

Turnover

Turnover, which excludes value added tax and trade discounts, represents the invoiced value of services supplied.

Tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets, on a straight line basis over the expected useful economic lives of the assets concerned. Where there is evidence of impairment, fixed assets are written down to recoverable amount. Any such write down would be charged to operating profit unless it was a reversal of a past revaluation surplus in which case it would be taken to the statement of total recognised gains and losses. The principal annual rates used for this purpose are:

	%
Incineration plant	4.5 – 10
Plant and machinery	10
Motor vehicles	25
Office equipment	20

Leased Assets

Assets held under finance leases are included in the balance sheet and depreciated in accordance with the company's normal accounting policies. The present value of future rentals is shown as a liability. The interest element of rental obligations is charged to the profit and loss account over the period of the lease in proportion to the balance of capital repayments outstanding.

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

TYSELEY WASTE DISPOSAL LIMITED

Notes to the financial statements for the year ended 31 December 2002

1 Accounting policies (continued)

Stocks

The company holds a stock of maintenance materials and consumable items which are valued at the lower of cost and net realisable value. In general cost is determined on a first in first out basis and includes transport and handling costs.

Where necessary, provision is made for obsolete, slow moving and defective stocks.

Deferred taxation

The payment of taxation is deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes. Full provision for deferred taxation is made under the liability method, without discounting, on all timing differences that have arisen, but not reversed by the balance sheet date, unless such provision is not permitted by FRS 19.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Pensions

The company operates a defined benefit pension scheme. The assets of the scheme are invested and managed independently of the finances of the company. Pension costs are assessed in accordance with the advice of an independent qualified actuary. Costs include the regular cost of providing benefits which it is intended should remain a substantially level percentage of current and expected future earnings of the employees covered. Variations from the regular pension costs are spread evenly through the profit and loss account over the average remaining service lives of current employees.

Certain employees participate in a defined contribution scheme operated by another group company. The assets of the scheme are invested and managed independently of the finances of the group. The pension cost charge represents contributions payable in the year.

Deferred tax is fully accounted for on any difference between accumulated pension costs charged against profit and accumulated contributions paid.

Related party transactions

The company has taken advantage of the exemption available under paragraph 3(c) of Financial Reporting Standard 8, not to disclose intra-group transactions.

Financing Costs

Financing costs are accounted for in accordance with FRS 4 'Capital Instruments' and are written off over the life of the financing to which they relate. The balance at the end of the period is set against the outstanding liability.

Cashflow statement

Under Financial Reporting Statement 1 (revised) the company is exempt from the requirements to prepare a cash statement as it is a wholly owned subsidiary of Veolia Environnement SA whose financial statements are publicly available.

TYSELEY WASTE DISPOSAL LIMITED

Notes to the financial statements for the year ended 31 December 2002

2 TURNOVER

Turnover consists entirely of sales made in the United Kingdom.

3 OPERATING PROFIT

	2002 £'000	2001 £'000
Operating profit is stated after charging/(crediting):		
Depreciation of tangible fixed assets	5,091	5,000
Amortisation of financing costs	441	441
Auditors' remuneration	16	26
Hire of plant and machinery	154	131
Rental of leasehold premises	(807)	1,392
Profit on disposal of tangible fixed assets	(12)	(5)

4 DIRECTOR'S EMOLUMENTS

	2002 £'000	2001 £'000
Other emoluments, including pension contributions and benefits in kind	101	100

One director who receives emoluments from the company is in the Veolia UK PLC's group final salary pension scheme. The other directors are remunerated for their services as directors of other group undertakings, and their emoluments are included within the directors' emoluments disclosure of those group undertakings.

5 EMPLOYEES

	2002 No.	2001 No.
The average weekly number of employees, including directors, during the year by activity was:		
Incineration and maintenance	68	68
Transport	66	66
Administration	8	8
	142	142

	2002 £'000	2001 £'000
Employee costs including the above consist of:		
Wages and salaries	3,811	3,979
Social security costs	314	328
Pension costs	685	517
	4,810	4,824

TYSELEY WASTE DISPOSAL LIMITED

Notes to the financial statements for the year ended 31 December 2002

6 INTEREST RECEIVABLE AND SIMILAR INCOME

	2002 £'000	2001 £'000
Interest receivable	642	805

7 INTEREST PAYABLE AND SIMILAR CHARGES

	2002 £'000	2001 £'000
Loan interest payable to fellow subsidiary undertaking	5,120	5,344
Interest on finance leases	22	43
	<u>5,142</u>	<u>5,387</u>

8 TAXATION

	2002 £'000	2001 £'000
United Kingdom Corporation Tax		
Current tax on income for the year	939	432
	<u>939</u>	<u>432</u>
Current taxation	939	432
Deferred taxation	(297)	71
Tax on profit on ordinary activities	<u>642</u>	<u>503</u>

Current tax reconciliation

	2002 £'000	2001 £'000
Profit on ordinary activities before taxation	2,678	2,094
	<u>2,678</u>	<u>2,094</u>
Theoretical tax at UK corporation tax rate 30% (2001: 30%)	803	628
Effects of:		
- Adjustments in respect of group relief	(161)	(126)
- Accelerated capital allowances	297	(70)
	<u>939</u>	<u>432</u>
Actual current taxation charge	<u>939</u>	<u>432</u>

TYSELEY WASTE DISPOSAL LIMITED
Notes to the financial statements for the year ended 31 December 2002
9 DIVIDENDS

	2002 £'000	2001 £'000
Proposed interim equity dividend of Nil p (2001: 29.41p) per share	-	1,500
Proposed final equity dividend of 39.21 p (2001: Nil p) per share	2,000	-
	<u>2,000</u>	<u>1,500</u>

10 TANGIBLE FIXED ASSETS

	Incinerat- ion plant £'000	Plant and machinery £'000	Motor vehicles £'000	Office equipment £'000	Total £'000
Cost					
At 1 January 2002	98,742	1,375	1,904	184	102,205
Additions	1,022	165	177	20	1,384
Disposals	(60)	-	-	-	(60)
At 31 December 2002	<u>99,704</u>	<u>1,540</u>	<u>2,081</u>	<u>204</u>	<u>103,529</u>
Depreciation					
At 1 January 2002	21,162	638	1,207	101	23,108
Charge for year	4,654	109	293	35	5,091
Disposals	(3)	-	-	-	(3)
At 31 December 2002	<u>25,813</u>	<u>747</u>	<u>1,500</u>	<u>136</u>	<u>28,196</u>
Net Book Value					
31 December 2002	<u>73,891</u>	<u>793</u>	<u>581</u>	<u>68</u>	<u>75,333</u>
31 December 2001	<u>77,580</u>	<u>737</u>	<u>697</u>	<u>83</u>	<u>79,097</u>

Included within motor vehicles are assets held under finance leases with a net book value of £499,000 (2001: £625,000). In the year to 31 December 2002, depreciation of £267,000 was charged on these assets (2001: £256,000). The cost of the incineration plant includes £11,673,000 of capitalised interest (2001: £11,673,000).

TYSELEY WASTE DISPOSAL LIMITED

Annual report and financial statements for the year ended 31 December 2002

11 STOCKS

	2002	2001
	£'000	£'000
Maintenance materials and consumable items	1,657	1,550

The replacement cost of the above stocks would not be significantly different from the values stated.

12 DEBTORS

	2002	2001
	£'000	£'000
Amounts falling due within one year:		
Trade debtors	5,028	4,506
Amounts owed by group undertakings	5,954	6,450
Amounts owed by fellow subsidiary undertaking	8,601	8,720
Other debtors	-	35
Prepayments and accrued income	537	1,055
	<u>20,120</u>	<u>20,766</u>

13 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002	2001
	£'000	£'000
Amounts falling due within one year:		
Obligations under finance leases	231	316
Trade creditors	1,648	1,629
Amounts owed to group undertakings	2,170	2,712
Loan due to fellow subsidiary undertaking	3,216	2,983
Amounts owed to fellow subsidiary undertaking	2,111	2,256
Corporation tax	2,289	2,168
Other income tax and social security	397	701
Other creditors	30	101
Accruals and deferred income	234	253
	<u>12,326</u>	<u>13,119</u>

14 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2002	2001
	£'000	£'000
Obligations under finance leases	337	265
Loan due to fellow subsidiary undertaking	65,479	68,695
	<u>65,816</u>	<u>68,960</u>

TYSELEY WASTE DISPOSAL LIMITED

Annual report and financial statements for the year ended 31 December 2002

14 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (continued)

In July 1998, Tyseley Finance PLC, a fellow subsidiary undertaking, formed for the purpose, issued £88m of 6.675 per cent Guaranteed Secured Bonds due 1999-2018. The proceeds were loaned to Tyseley Waste Disposal Limited and used to repay the existing bank loan from Banque Paribas, and the existing loans of £5m from fellow subsidiary undertakings.

The loan is repayable in installments over 19.5 years commencing from January 1999. The remaining repayment schedule can be summarised as follows:

	£'000
Amounts falling due in 1-2 years	3,464
Amounts falling due in 2-5 years	12,054
Amounts falling due in more than 5 years	49,961
Total	65,479
Finance leases:	
Amounts falling due in 1-2 years	102
Amounts falling due in 2-5 years	235
	337

15 PROVISIONS FOR LIABILITIES AND CHARGES

Movement during the year:	Deferred taxation £'000
At 1 January 2002	20,087
Transfer from profit and loss account	(297)
At 31 December 2002	19,790

Deferred taxation representing full provision, represents:

	Amounts provided	
	2002 £'000	2001 £'000
Accelerated capital allowances	19,790	20,087

Deferred taxation represents the effect of timing differences arising on excess capital allowances over depreciation.

TYSELEY WASTE DISPOSAL LIMITED

Annual report and financial statements for the year ended 31 December 2002

16 SHARE CAPITAL

	2002 £'000	2001 £'000
Authorised		
10,000,000 ordinary shares of £1 each	10,000	10,000
Allotted, called up and fully paid		
5,100,098 ordinary shares of £1 each and 1 foundation share of £1	5,100	5,100

In this respect the shares of the company are held by the Law Debenture Trust Plc as security trustee for Onyx Esys Montenay Limited.

17 PROFIT AND LOSS ACCOUNT

	2002 £'000
At 1 January	2,021
Retained profit for the year	36
At 31 December	2,057

18 RECONCILIATIONS OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	2002 £'000	2001 £'00
Profit for the financial year	2,036	1,591
Dividends	(2,000)	(1,500)
Increase in shareholders' funds	36	91
Opening shareholders' funds	7,121	7,030
Closing shareholders' funds	7,157	7,121

19 CASH COMMITMENTS

Under the terms of the refinancing arrangements in July 1998, the company is required to make cash deposits on behalf of Tyseley Finance PLC, as security for payment of bonds and interest thereon.

20 FINANCIAL COMMITMENTS

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

	2002	2001
	£'000	£'000
Land and buildings		
Expiring after five years	825	1,303
	<u> </u>	<u> </u>
Other assets		
Expiring between two and five years inclusive	104	75
	<u> </u>	<u> </u>

21 CONTINGENCIES

The company has secured the bonds issued by Tyseley Finance PLC by way of providing a fixed and floating charge over all of its present and future assets in favour of Tyseley Finance PLC.

22 PENSION OBLIGATIONS

Tyseley Waste Disposal Limited

The company has a defined benefit scheme operated by William M. Mercer Limited under which all former Birmingham City Council employees were eligible to transfer their past service entitlements. The assets of the scheme are held separately from those of the company.

Triennial actuarial valuations of the pension scheme are performed by a qualified actuary using the attained age method. The most recent formal actuarial review of the defined benefit pension scheme was at 30 September 2001. The market value of the scheme's assets at that date was £6,536,000 and the level of funding was 75%. The company is making up this shortfall by increasing its contributions to 32% with effect from 27 June 2002 until 26 June 2012.

The main actuarial assumptions used in the valuation were:

Investment returns	7% p.a. pre-retirement
	5% p.a. post retirement
Pensionable salary increases	3.9%
Dividend increase rate	6%
Pension increases in excess of GMP	2.4%

The pension cost figures used in these accounts comply with the current pension cost accounting standard SSAP24. A pension cost accounting standard, FRS17, must be used for the figures that will be shown in the accounts for the year ending 31 December 2005 and subsequent years. Under transitional arrangements, the Company is required to disclose the following information about the schemes and the figures that would have been shown under FRS17 in the current balance sheet.

22 PENSION OBLIGATIONS (continued)

SSAP 24 disclosures

	£'000	£'000
Provision (prepayment) for pension costs at 1 January 2002		-
Pension costs for 1 January 2002 to 31 December 2002		
- Regular cost	291	
- variation amortised	187	
- interest charge/(credit)	(3)	
Total		475
Company contributions paid during 1 January 2002 to 31 December 2002		(570)
Provision (prepayment for pension costs at 31 December 2002)		(95)

Company contributions paid were supplied by the Scheme's administrators.

The interest charge is at 7% for a half-year on the regular cost and variation less company contributions paid.

The regular pension cost is 16% of pensionable salaries of £1.816 m. The variation is expected to be amortised over members' average future working lifetime of 11 years, by installments of 10.3% of pensionable salaries each year.

Supplementary FRS17 disclosures

A valuation of Tyseley Waste Disposal Limited Scheme was carried out at 30 September 2001. The valuation of Tyseley Waste Disposal Limited Scheme liabilities detailed below has been derived by projecting forward the position from 30 September 2001 and 31 December 2001 to 31 December 2002.

Contributions over the 12 month period ending 31 December 2002 were paid as follows:

	% Pensionable Salaries
Company	31% to 27 June 2002
Company	32% 27 June 2002 – 26 June 2012
Members	5.0 (manual workers)
Members	6.0 (non-manual workers)

The FRS17 gives the present value of pension liabilities by discounting pension commitments, including salary growth, at an AA Corporate bond yield. The FRS17 value of liabilities at 31 December 2002 was approximately £9,785,000 (2001: £8,620,000) and the market value of assets was approximately £6,191,000 (2001: £6,920,000), giving a Tyseley Waste Disposal Limited Scheme deficit of £3,594,000 (2001: £1,700,000).

The employer contribution rate of 31% of Pensionable Salaries was payable to 27 June 2002, and following the full actuarial valuation as at 31 September 2001 the employer contribution rate was increased to 32%.

22 PENSION OBLIGATIONS (continued)

In calculating the liabilities of the Tyseley Waste Disposal Limited Scheme, the following financial assumptions have been used:

	2001	2002
Discount rate	6.0% pa	5.6% pa
Salary growth	4.0% pa	3.8% pa
RPI	2.5% pa	2.3% pa
Pension-in payment increases (LPI related)	2.5% pa	2.3% pa

Movement in deficit during the year:	£'000
Deficit at 1 January 2002	1,700
Movement in year	
- Current service cost	273
- Contributions	(570)
- Net return on assets	63
- Actuarial loss	2,128
Deficit at 31 December 2002	<u>3,594</u>

Deferred pensions are revalued to retirement age in line with the RPI assumption of 2.3% p.a. (2001: 2.5% p.a.) unless otherwise prescribed by the Scheme rules or statutory requirements.

The market value of the assets of the Scheme as at 31 December 2002 together with the expected rate of return over the following year is as follows:

	At 31 December 2001			At 31 December 2002		
	£'000	%	Expected Return (% pa)	£'000	%	Expected Return (% pa)
Equities	5,355	77.4	7.0	4,800	77.5	8.3
Gilts	1,565	22.6	4.4	1,391	22.5	3.3
Total	6,920	100.0	6.4	6,191	100.0	6.9

22 PENSION OBLIGATIONS (continued)

Onyx Final Salary Division of the Vivendi UK Pension Plan

Some employees of the company are members of the Onyx final salary pension scheme (formerly Leigh Pension Scheme).

The pension charges in respect of the scheme are calculated by independent qualified actuaries. The most recent formal actuarial review of the scheme was at 1 April 2000, the actuarial valuation as at 1 April 2003 is not yet available. The market value of the schemes' assets at that date was £35,441,054 and the level of funding was 111%. The most important assumptions were:

Assumed long term rates of:

Investment returns	10%
Salary increases	7.5%
Dividend increases	5%
Pension increases	4%

SSAP 24 disclosures

For the Onyx Final Salary Division of the Vivendi UK Pension Plan, the pension expense for the period from 1 January 2002 to 31 December 2002 is calculated based on the 31 December 2001 valuation.

Assumptions

The key economic assumptions used for the Onyx Final Salary Division of the Vivendi UK Pension Plan in the 31 December 2001 SSAP24 valuation are summarised below:

Expected rate of investment return before retirement	7.00%
Expected rate of investment return after retirement	6.00%
Salary growth	3.50%
Pension increases in payment:	
- Pre-April 1997 Leigh Benefits	4.00%
- Inflation linked	2.50%

The demographic assumptions are in line with the 31 December 2001 funding valuation.

The Interest Cost is calculated based on an interest rate of 6.7%.

This is a weighted average based on the pre- and post-retirement discount rates.

22 PENSION OBLIGATIONS (continued)

Supplementary FRS17 disclosures

Onyx Final Salary Division of the Vivendi UK Pension Plan

The Company provides a defined benefit scheme under Onyx Final Salary Division of the Vivendi UK Pension Plan. The most recent formal actuarial valuation of the Onyx Final Salary Division was carried out as at 31 December 2001.

Contributions over the 12 month period ending 31 December 2002 were paid as follows:

	% Pensionable Salaries
Company	9.2
Members	5.0

Employers rates are expected to increase in line with actuarial recommendations to 15% in 2003, 17% in 2004 and 2005, and 18% in 2006.

FRS17 gives the present value of pension liabilities by discounting pension commitments, including salary growth, at an AA corporate bond yield. The FRS17 value of liabilities at 31 December 2002 was approximately £47,825,000 (2001: £37,414,000) and the market value of assets was approximately £28,948,000 (2001: £32,662,000), giving a Onyx Final Salary Division deficit of £18,877,000 (2001: £4,752,000).

Movement in deficit during the year:	£'000
Deficit at 1 January 2002	4,752
Movement in year	
- Current service cost	1,517
- Contributions	(1,129)
- Net return on assets	(175)
- Actuarial loss	13,912
Deficit at 31 December 2002	<u>18,877</u>

In calculating the liabilities of the Onyx Final Salary Division, the following financial assumptions have been used:

	2001	2002
Discount rate	6.0% pa	5.6% pa
Salary growth	3.5% pa	3.3% pa
RPI	2.5% pa	2.3% pa
Pension-in payment increases (LPI related)	2.5% pa	2.3% pa

Deferred pensions are revalued to retirement age in line with the RPI assumption of 2.3% p.a. (2001: 2.5% p.a.) unless otherwise prescribed by the Scheme rules or statutory requirements.

22 PENSION OBLIGATIONS (continued)

The market value of the assets of the Scheme as at 31 December 2002 together with the expected rate of return over the following year is as follows:

	At 31 December 2001			At 31 December 2002		
	£'000	%	Expected Return (% pa)	£'000	%	Expected Return (% pa)
Equities	26,260	80.4	8.0	22,840	78.9	7.3
Gilts	6,402	19.6	5.0	6,108	21.1	4.5
Total	32,662	100.0	7.4	28,948	100.0	6.7

Profit and loss reserve

Had the balance sheet been prepared under FRS 17 the Profit and loss Reserve would have been restated taking account of the pension fund deficit relating to Tyseley Waste Disposal Limited. Had the balance sheet been prepared under FRS 17 in respect of the Tyseley Waste Disposal Limited Pension Scheme, the profit and loss reserve would have been restated as follows:

	2002 £'000
As reported on SSAP 24 basis	2,057
FRS 17 Pension Deficit: Tyseley Waste Disposal Limited Scheme	(3,594)
Deferred tax	1,078
FRS 17 pension deficit (net of deferred tax)	(2,516)
On FRS 17 basis	(459)

Had the balance sheet been prepared under FRS 17 the Profit and loss Reserve would not have been restated taking account of the pension funds' deficits of the Onyx Final Salary Division of the Veolia UK Pension Plan. This is a multi-employer defined benefit scheme, however, Tyseley Waste Disposal Limited is accounting for it as defined contribution scheme per FRS 17 because the company is unable to identify its share of the underlying assets and liabilities in the scheme on a consistent and reasonable basis.

23 ULTIMATE HOLDING COMPANY

The company's ultimate holding company is Veolia Environnement S.A. incorporated in France. Copies of the parent's consolidated financial statements may be obtained from The Secretary, 36-38 Avenue Kleber, 75116 Paris, France. The immediate holding company is Onyx Esys Montenay Limited (registered in England and Wales).

The directors consider Onyx Aurora Limited (registered in England and Wales) to be the smallest group for which group accounts including Tyseley Waste Disposal Limited are drawn up.