

Registration No: 2692681

**TYSELEY WASTE DISPOSAL LIMITED**

**ANNUAL REPORT**

**YEAR ENDED 31 DECEMBER 2003**



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# TYSELEY WASTE DISPOSAL LIMITED

## Annual report and financial statements for the year ended 31 December 2003

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Directors	C du Peloux (Appointed 2 January 2003) M Gourvennec (Resigned 2 January 2003) JM Kutner 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 2003**

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The directors present their report together with the audited financial statements for the year ended 31 December 2003.

#### **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 final dividend of £2.5 million was declared during the year (2002: £2.0 million).

#### **Directors**

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

C du Peloux (Appointed 2 January 2003)  
M Gourvennec (Resigned 2 January 2003)  
JM Kutner  
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. There are no other directors' interests requiring disclosure under the Companies Act 1985.

#### **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.

#### **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 33 days purchases outstanding based on the average daily amount invoiced by suppliers during the year ended 31 December 2003 (2002: 48 days).

## **TYSELEY WASTE DISPOSAL LIMITED**

### **Report of the directors for the year ended 31 December 2003 (continued)**

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#### **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.

#### **Auditors**

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

By order of the Board:



J Kutner  
Secretary  
6 August 2004

# **TYSELEY WASTE DISPOSAL LIMITED**

## **Report of the Auditors for the year ended 31 December 2003**

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

We have audited the financial statements on pages 4 to 21.

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

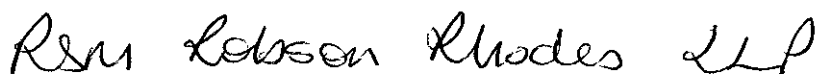
#### **Basis of audit opinion**

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.



RSM Robson Rhodes LLP  
Chartered Accountants and Registered Auditors  
London, England  
6 August 2004

**TYSELEY WASTE DISPOSAL LIMITED**

**Profit and loss account for the year ended 31 December 2003**

	Note	Continuing operations	
		2003 £'000	2002 £'000
<b>Turnover</b>	2	31,804	31,880
Operating costs		(22,762)	(20,308)
<b>Gross profit</b>		<u>9,042</u>	<u>11,572</u>
Administration expenses and overheads		(2,884)	(4,394)
<b>Operating profit</b>	3	<u>6,158</u>	<u>7,178</u>
Interest receivable and similar income	6	517	642
Interest payable and similar charges	7	(4,922)	(5,142)
<b>Profit on ordinary activities before taxation</b>		<u>1,753</u>	<u>2,678</u>
Tax on profit on ordinary activities	8	1,291	(642)
<b>Profit on ordinary activities after taxation</b>		<u>3,044</u>	<u>2,036</u>
Equity dividends	9	(2,500)	(2,000)
<b>Retained (loss)/profit for the financial year</b>	17,18	<u>544</u>	<u>36</u>

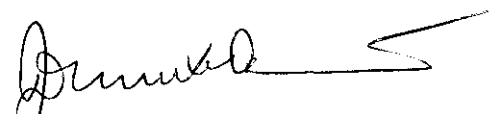
The company has no recognised gains and losses other than those included in the above figures, and therefore no separate statement of total recognised gains and losses has been presented.

**TYSELEY WASTE DISPOSAL LIMITED**

**Balance sheet as at 31 December 2003**

	<b>Note</b>	<b>2003 £'000</b>	<b>2002 £'000</b>
<b>Fixed assets</b>			
Tangible assets	10	70,731	75,333
<b>Current assets</b>			
Stocks	11	1,862	1,657
Debtors	12	15,329	20,120
Cash at bank and in hand		9,198	7,979
		<u>26,389</u>	<u>29,756</u>
<b>Creditors: amounts falling due within one year</b>	13	(10,096)	(12,326)
<b>Net current assets</b>		<u>16,293</u>	<u>17,430</u>
<b>Total assets less current liabilities</b>		<u>87,024</u>	<u>92,763</u>
<b>Creditors: amounts falling due after more than one year</b>	14	(62,251)	(65,816)
<b>Provision for liabilities and charges</b>	15	(17,072)	(19,790)
<b>Net assets</b>		<u>7,701</u>	<u>7,157</u>
<b>Capital and reserves</b>			
Called up share capital	16	5,100	5,100
Profit and loss account	17	2,601	2,057
<b>Equity shareholders' funds</b>	18	<u>7,701</u>	<u>7,157</u>

The financial statements on pages 4 to 21 were approved by the Board of Directors on 6 August 2004 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 2003

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#### 1 Accounting policies

##### **Basis of accounting**

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

##### **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 and finance costs directly attributable to the construction of tangible fixed assets.

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 the 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

##### **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.



## **TYSELEY WASTE DISPOSAL LIMITED**

### **Notes to the financial statements for the year ended 31 December 2003**

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#### **1 Accounting policies (continued)**

##### **Deferred taxation**

Deferred tax is provided, except as noted below, on timing differences that have arisen but not reversed by the balance sheet date, where the timing differences result in an obligation to pay more tax, or a right to pay less tax, in the future. Timing differences arise because of differences between the treatment of certain items for accounting and taxation purposes.

*In accordance with FRS 19 deferred tax is not provided on timing differences arising from:*

- a) revaluation gains on land and buildings, unless there is a binding agreement to sell them at the balance sheet date; and
- b) gains on the sale of non-monetary assets, where on the basis of all available evidence it is more likely than not that the taxable gain will be rolled over into replacement assets.

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

Deferred tax is measured at the tax rates that are expected to apply in the periods when the timing differences are expected to reverse, based on tax rates and law enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

Where law or accounting standards require gains and losses to be recognised in the statement of total recognised gains and losses, the related taxation is also taken directly to the statement of total recognised gains and losses in due course.

##### **Pensions**

The company operates pension schemes for all staff. The pension costs for the defined contribution scheme represent contributions payable by the company in the year. The assets of the scheme are invested and managed independently of the finances of the company.

Pension costs in respect of the defined benefit scheme are assessed in accordance with the advice of an independent qualified actuary and recognised in the profit and loss account so that regular costs represent a substantially level percentage of related current and expected future earnings and variations are spread over the expected average remaining service lives of the 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.

##### **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 2003

### 2 TURNOVER

Turnover consists entirely of sales made in the United Kingdom.

### 3 OPERATING PROFIT

	2003 £'000	2002 £'000
Operating profit is stated after charging/(crediting):		
Depreciation of tangible fixed assets	5,079	5,091
Impairment of fixed assets	300	-
Amortisation of financing costs	441	441
Auditors' remuneration	17	16
Hire of plant and machinery	153	154
Rental of leasehold premises	826	(807)
Profit on disposal of tangible fixed assets	-	(12)

### 4 DIRECTOR'S EMOLUMENTS

	2003 £'000	2002 £'000
Emoluments	97	95
Contributions to defined benefit pension scheme	11	6
	108	101

There is one director accruing benefits under a defined benefit scheme (2002 : 1). 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

	2003 No.	2002 No.
The average weekly number of employees, including directors, during the year, by activity, was:		
Incineration and maintenance	66	68
Transport	65	66
Administration	8	8
	139	142

	2003 £'000	2002 £'000
Employee costs including the above consist of:		
Wages and salaries	3,960	3,811
Social security costs	338	314
Pension costs	657	685
	4,955	4,810

**TYSELEY WASTE DISPOSAL LIMITED**

**Notes to the financial statements for the year ended 31 December 2003**

**6 INTEREST RECEIVABLE AND SIMILAR INCOME**

	<b>2003 £'000</b>	<b>2002 £'000</b>
Interest receivable	517	642

**7 INTEREST PAYABLE AND SIMILAR CHARGES**

	<b>2003 £'000</b>	<b>2002 £'000</b>
Loan interest payable to fellow subsidiary undertaking	4,894	5,120
Interest on finance leases	28	22
	<u>4,922</u>	<u>5,142</u>

**8 TAXATION**

	<b>2003 £'000</b>	<b>2002 £'000</b>
<b>Current taxation</b>		
United Kingdom Corporation Tax	1,060	939
Adjustment in respect of previous years	367	-
Current tax	<u>1,427</u>	<u>939</u>
<b>Deferred tax</b>		
Origination of timing differences – current year	(799)	(297)
Origination of timing differences – prior year	(1,919)	-
	<u>(2,718)</u>	<u>(297)</u>
<b>Tax on profit on ordinary activities</b>	<u>(1,291)</u>	<u>642</u>

**Current tax reconciliation**

	<b>2003 £'000</b>	<b>2002 £'000</b>
Profit on ordinary activities before taxation	1,753	2,678
Theoretical tax at UK corporation tax rate 30% (2002: 30%)	526	803
Effects of:		
- Adjustments in respect of group relief	(265)	(161)
- Adjustments in respect of prior years	367	-
- Accelerated capital allowances	799	297
Actual current taxation charge	<u>1,427</u>	<u>939</u>

**TYSELEY WASTE DISPOSAL LIMITED**

**Notes to the financial statements for the year ended 31 December 2003**

**9 EQUITY DIVIDENDS**

	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>
Final equity dividend paid of 49.01p (2002: 39.21 p) per share	2,500	2,000

**10 TANGIBLE FIXED ASSETS**

	<b>Incinerat- ion plant £'000</b>	<b>Plant and machinery £'000</b>	<b>Motor vehicles £'000</b>	<b>Office equipment £'000</b>	<b>Total £'000</b>
<b>Cost</b>					
At 1 January 2003	99,704	1,540	2,081	204	103,529
Additions	541	40	205	10	796
Disposals	(19)	-	-	-	(19)
At 31 December 2003	100,226	1,580	2,286	214	104,306
<b>Depreciation</b>					
At 1 January 2003	25,813	747	1,500	136	28,196
Charge for year	4,716	128	204	31	5,079
Impairment	300	-	-	-	300
At 31 December 2003	30,829	875	1,704	167	33,575
<b>Net Book Value</b>					
31 December 2003	69,397	705	582	47	70,731
31 December 2002	73,891	793	581	68	75,333

Included within motor vehicles are assets held under finance leases with a net book value of £498,000 (2002: £499,000). In the year to 31 December 2003, depreciation of £181,000 was charged on these assets (2002: £267,000). The cost of the incineration plant includes £11,673,000 of capitalised interest (2002: £11,673,000).

**TYSELEY WASTE DISPOSAL LIMITED**

**Annual report and financial statements for the year ended 31 December 2003**

**11 STOCKS**

	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>
Maintenance materials and consumable items	1,862	1,657

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

**12 DEBTORS**

	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>
Amounts falling due within one year:		
Trade debtors	4,778	4,856
Amounts owed by group undertakings	1,359	5,954
Amounts owed by fellow subsidiary undertaking	8,601	8,601
Other debtors	47	172
Prepayments and accrued income	544	537
	<u>15,329</u>	<u>20,120</u>

**13 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>
Obligations under finance leases	103	231
Trade creditors	1,194	1,648
Amounts owed to group undertakings	2,509	4,459
Loan due to fellow subsidiary undertaking	3,464	3,216
Amounts owed to fellow subsidiary undertaking	2,021	2,111
Other income tax and social security	614	397
Other creditors	31	30
Accruals and deferred income	160	234
	<u>10,096</u>	<u>12,326</u>

**14 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>
Obligations under finance leases	236	337
Loan due to fellow subsidiary undertaking	62,015	65,479
	<u>62,251</u>	<u>65,816</u>

# TYSELEY WASTE DISPOSAL LIMITED

## Annual report and financial statements for the year ended 31 December 2003

### 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:

	2003 £'000	2002 £'000
Amounts falling due in 1-2 years	3,729	3,464
Amounts falling due in 2-5 years	12,962	12,054
Amounts falling due in more than 5 years	45,324	49,961
Total	62,015	65,479
Finance leases:		
Amounts falling due in 1-2 years	92	102
Amounts falling due in 2-5 years	144	235
	236	337
	62,251	65,816

### 15 PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred taxation £'000	
<b>Movement during the year:</b>		
At 1 January 2003	19,790	
Transfer from profit and loss account	(2,718)	
	<hr/>	
At 31 December 2003	17,072	
	<hr/> <hr/>	
Deferred taxation representing full provision, represents:		
	<b>2003</b> <b>£'000</b>	<b>2002</b> <b>£'000</b>
Accelerated capital allowances	17,084	19,800
Other short term timing differences	(12)	(10)
	<hr/>	<hr/>
	17,072	19,790

Deferred taxation in relation to accelerated capital allowances 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 2003

## 16 SHARE CAPITAL

	2003 £'000	2002 £'000
<b>Authorised</b>		
10,000,000 ordinary shares of £1 each	10,000	10,000
<b>Allotted, called up and fully paid</b>		
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

	2003 £'000
At 1 January 2003	2,057
Retained profit for the year	544
At 31 December 2003	2,601

## 18 RECONCILIATIONS OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	2003 £'000	2002 £'000
Profit for the financial year	3,044	2,036
Dividends	(2,500)	(2,000)
Increase in equity shareholders' funds	544	36
Opening equity shareholders' funds	7,157	7,121
Closing equity shareholders' funds	7,701	7,157

## 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 2003 the company had annual commitments under non-cancellable operating leases as follows:

	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>
<b>Land and buildings</b>		
Expiring after five years	866	825
	<u>          </u>	<u>          </u>
<b>Other assets</b>		
Expiring between two and five years inclusive	91	104
	<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 Pension Scheme**

The company has a defined benefit scheme operated by Mercer Human Resource Consulting 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.

**SSAP 24 disclosures**

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	7.0%	p.a. pre-retirement
	5.0%	p.a. post retirement
Pensionable salary increases	3.9%	
Dividend increase rate	6.0%	
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.

Company contributions of £657,000 were paid during the period 1 January 2003 to 31 December 2003.



**22 PENSION OBLIGATIONS (continued)**

**Supplementary FRS17 disclosures**

The company provides a defined benefit scheme, the Tyseley Waste Disposal Limited Pension Scheme. A full actuarial valuation was carried out at 30 September 2001 and updated to 31 December 2003 by a qualified independent actuary.

Contributions over the 12 month period ending 31 December 2003 were paid as follows:

<b>% Pensionable Salaries</b>	
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 2003 was approximately £11,000,000 (2002: £9,785,000) and the market value of assets was approximately £7,710,000 (2002: £6,191,000), giving a Tyseley Waste Disposal Limited Scheme deficit of £3,290,000 (2002: £3,594,000).

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%.

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

	<b>2003</b>	<b>2002</b>	<b>2001</b>
Discount rate	5.4% p.a.	5.6% p.a.	6.0% p.a.
Salary growth	3.6% p.a.	3.8% p.a.	3.5% p.a.
RPI	2.6% p.a.	2.3% p.a.	2.5% p.a.
Pension-in payment increases (LPI related)	2.6% p.a.	2.3% p.a.	2.5% p.a.

	<b>2003</b>	<b>2002</b>
<b>Movement in deficit during the year:</b>	<b>£'000</b>	<b>£'000</b>
Deficit at the start of the year	3,594	1,700
Movement in year		
- Current service cost	277	273
- Contributions	(657)	(570)
- Net return on assets	207	63
- Past service costs	95	-
- Actuarial gain	(226)	2,128
Deficit at the end of the year	<u>3,290</u>	<u>3,594</u>

Deferred pensions are revalued to retirement age in line with the RPI assumption of 2.6% p.a. (2002: 2.3% 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 2003 together with the expected rate of return over the following year is as follows:

	At 31 December 2003		At 31 December 2002		At 31 December 2001	
	£'000	%	£'000	%	£'000	%
Equities	6,432	83.4	4,800	77.5	5,355	77.4
Gilts	1,278	16.6	1,391	22.5	1,565	22.6
<b>Total market value of assets</b>	<b>7,710</b>	<b>100.0</b>	<b>6,191</b>	<b>100.0</b>	<b>6,920</b>	<b>100.0</b>
Present value of scheme liabilities	(11,000)		(9,785)			
Deficit in scheme	(3,290)		(3,594)			
Deferred taxation asset	987		1,078			
<b>Net pension deficit</b>	<b>(2,303)</b>		<b>(2,516)</b>			

	Expected return		
	31 December 2003 %p.a.	31 December 2002 %p.a.	31 December 2001 %p.a.
Equities	6.3	6.0	7.0
Gilts	3.6	3.3	4.4
<b>Total</b>	<b>5.8</b>	<b>5.4</b>	<b>6.4</b>

Analysis of the amount which would be charged to operating profit		2003 £'000	2002 £'000
Service cost		277	273
Past service cost		95	-
<b>Total operating charge</b>		<b>372</b>	<b>273</b>

22 PENSION OBLIGATIONS (continued)

<b>Analysis of amount which would be credited to other finance income</b>	<b>2003 £'000</b>	<b>2002 £'000</b>
Expected return on pension scheme assets	346	463
Interest on pension liabilities	(553)	(526)
Net return	(207)	(63)

<b>Analysis of amount which would be recognised in statement of total recognised gains and losses (STRGL)</b>	<b>2003 £'000</b>	<b>2002 £'000</b>
Actual return less expected return on assets	721	(1,786)
Experience gains and losses on liabilities	-	(21)
Changes in assumptions	(495)	(321)
Actuarial gain/(loss) recognised in SRTGL	226	(2,128)

<b>History of experience gains and losses</b>	<b>2003</b>	<b>2002</b>
Difference between expected and actual return on scheme assets:		
amount (£'000)	721	(1,786)
percentage of scheme assets	9%	(29%)
Experience gains and losses on scheme liabilities:		
amount (£'000)	-	(21)
percentage of scheme liabilities	0%	(0%)
Total amount recognised in statement of total recognised gains and losses:		
amount (£'000)	226	(2,128)
percentage of scheme liabilities	2%	(22%)

**TYSELEY WASTE DISPOSAL LIMITED**

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**22 PENSION OBLIGATIONS (continued)**

**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 as follows:

	<b>2003 £'000</b>	<b>2002 £'000</b>
As reported on SSAP 24 basis	2,601	2,057
FRS 17 Pension Deficit: Tyseley Waste Disposal Limited Scheme	(3,290)	(3,594)
Deferred tax	987	1,078
FRS 17 pension deficit (net of deferred tax)	(2,303)	(2,516)
On FRS 17 basis	298	(459)

**Balance Sheet Presentation**

	<b>2003 £'000</b>	<b>2002 £'000</b>
Net assets excluding pension deficit	7,701	7,157
Pension deficit	(2,303)	(2,516)
Net assets including pension deficit	5,398	4,641

**22 PENSION OBLIGATIONS (continued)**

**Onyx Final Salary Division of the Veolia UK Pension Plan (formerly Vivendi UK Pension Plan)**

Some employees of the company are members of the Onyx Final Salary Division of the Veolia UK Pension Plan.

**SSAP 24 disclosures**

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 31 December 2001. The market value of the scheme's assets at that date was £35,441,054 and the level of funding was 111%.

For the Onyx Final Salary Division of the Veolia UK Pension Plan, the pension expense for the period from 1 January 2003 to 31 December 2003 is calculated based on the 31 December 2001 valuation.

**Assumptions:**

The key economic assumptions used for the Onyx Final Salary Division of the Veolia 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 Veolia UK Pension Plan

The Company provides a defined benefit scheme under Onyx Final Salary Division of the Veolia UK Pension Plan. The most recent formal actuarial valuation of the Onyx Final Salary Division was carried out at 31 December 2001 and updated to 31 December 2003 by a qualified independent actuary.

Contributions over the 12 month period ending 31 December 2003 were paid as follows:

% Pensionable Salaries	
Company	15.0
Members	5.0

Employers' rates are expected to increase in line with actuarial recommendations to 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 2003 was approximately £56,763,000 (2002: £47,825,000) and the market value of assets was approximately £35,856,000 (2002: £28,948,000), giving a Onyx Final Salary Division deficit of £20,907,000 (2002: £18,877,000).

Movement in deficit during the year:	2003 £'000	2002 £'000
Deficit at the start of the year	18,877	4,752
Movement in year		
- Current service cost	1,736	1,517
- Contributions	(1,898)	(1,129)
- Net return on assets	722	(175)
- Actuarial loss	1,470	13,912
Deficit at the end of the year	<u>20,907</u>	<u>18,877</u>

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

	2003	2002	2001
Discount rate	5.4% p.a.	5.6% p.a.	6.0% p.a.
Salary growth	3.6% p.a.	3.3% p.a.	3.5% p.a.
RPI	2.6% p.a.	2.3% p.a.	2.5% p.a.
Pension-in payment increases (LPI related)	2.6% p.a.	2.3% p.a.	2.5% p.a.

Deferred pensions are revalued to retirement age in line with the RPI assumption of 2.6% p.a. (2002: 2.3% 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 2003 together with the expected rate of return over the following year is as follows:

	At 31 December 2003		At 31 December 2002		At 31 December 2001	
	£'000	%	£'000	%	£'000	%
Equities	29,018	80.9	22,840	78.9	26,260	80.4
Gilts	6,838	19.1	6,108	21.1	6,402	19.6
<b>Total market value of assets</b>	<b>35,856</b>	<b>100.0</b>	<b>28,948</b>	<b>100.0</b>	<b>32,662</b>	<b>100.0</b>
Present value of scheme liabilities	(56,763)		(47,825)			
<b>Deficit in scheme</b>	<b>(20,907)</b>		<b>(18,877)</b>			

	Expected return		
	31 December 2003 %p.a.	31 December 2002 %p.a.	31 December 2001 %p.a.
Equities	7.5	7.3	8.0
Gilts	4.8	4.5	5.0
<b>Total</b>	<b>7.0</b>	<b>6.7</b>	<b>7.4</b>

### Profit and loss reserve

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. Copies of the financial statements of Onyx Aurora Limited are available from the Registrar of Companies, Companies House, Crown Way, Cardiff CF14 3UZ.