

Tyseley Waste Disposal Limited

Annual report

for the year ended 31 December 1998

Registered Number: 2692681



Tyseley Waste Disposal Limited

Annual report for the year ended 31 December 1998

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Chairman	Sir Austin Bide
Directors	C Cyr E Dupont-Madinier C Le Guidec J M Kutner R Morin S F Sim
Secretary	J M Kutner
Registered Office	James Road Tyseley Birmingham B11 2BA
Auditors	Robson Rhodes 186 City Road London EC1V 2NU

Tyseley Waste Disposal 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.

The profit and loss account is set out on page 5.

Principal activities

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

Review of business and future developments

The new Energy from Waste plant processed waste throughout the year, with normal downtime for maintenance.

On 30 July 1998 the company repaid the loan from Banque Paribas which had been used to fund the construction of the new plant. A new loan of £88m. was received from Tyseley Finance plc, a fellow subsidiary company, which had itself raised a similar amount by the issue of bonds on the London Stock Market.

Dividends

The directors do not recommend the payment of a dividend.

Tyseley Waste Disposal Limited

Directors

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

Sir Austin Bide	(Chairman)
C Cyr	
E Dupont-Madinier	
C Le Guidec	
J M Kutner	
R Morin	
S F Sim	

Directors' interests

None of the directors has any interest in the shares of the company (1997 - nil) or the shares of any other company within the Onyx Environmental 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.

Year 2000

The board receives regular reports from the group's internal millenium committee concerning progress in planning for the continued functioning of all group software and hardware. All major customers and suppliers have been contacted in relation to their own preparations for the year 2000 date change and, so far, the directors are satisfied that despite the uncertainties implicit in the problem, key software (which is all externally provided) and hardware will be able to handle the date change.

Tyseley Waste Disposal Limited

Directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss 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 year 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 which disclose with reasonable accuracy at any time the financial position of the company and which enable the directors to ensure that the financial statements comply with the Companies Act 1985. The directors have taken reasonable steps to safe guard the assets of the company and to prevent and detect fraud and other irregularities.

Auditors

During the year one of the joint auditors, Coopers & Lybrand resigned and Robson Rhodes were appointed sole auditors.

A resolution to reappoint the auditors, Robson Rhodes will be proposed at the annual general meeting.

By order of the board



J M Kutner
Company secretary
18 March 1999

Tyseley Waste Disposal Limited

Report of the auditors to the shareholders of Tyseley Waste Disposal Limited

We have audited the financial statements on pages 5 to 16 which have been prepared on the basis of the accounting policies set out on pages 7 and 8.

Respective responsibilities of directors and auditors

As described on page 3 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 as at 31 December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Robson Rhodes
Chartered Accountants &
Registered Auditors

London

18

March 1999

Tyseley Waste Disposal Limited

Profit and Loss account for the year ended 31 December 1998

	Notes	1998 £000	1997 £000 Restated
Turnover- continuing operations	2	29,557	25,579
Operating costs		(19,931)	(17,628)
Gross profit		9,626	7,951
Administrative expenses			
Overheads		(1,775)	(1,785)
Costs relating to claims	5	-	(2,300)
Other operating income			
Claims receivable	5	-	3,300
Operating profit - continuing operations		7,851	7,166
Interest (payable) / receivable	6	(6,093)	(5,074)
Profit on ordinary activities before taxation	7	1,758	2,092
Tax on profit on ordinary activities	8	(545)	(1,023)
Retained profit /(loss) for the financial year	19	1,213	1,069

The notes on pages 7 to 16 form part of these financial 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

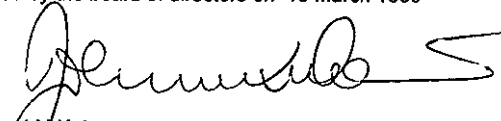
Balance Sheet as at 31 December 1998

	Notes	1998 £000	1997 £000 Restated
Fixed assets			
Intangible assets	9	1,714	1,800
Tangible assets	10	88,643	92,362
		<hr/>	<hr/>
		90,357	94,162
		<hr/>	<hr/>
Current assets			
Stocks	11	986	844
Debtors	12	14,375	7,924
Cash at bank and in hand		7,455	7,515
		<hr/>	<hr/>
		22,816	16,283
		<hr/>	<hr/>
Creditors: amounts falling due within one year	13	(9,870)	(11,423)
		<hr/>	<hr/>
Net current assets (liabilities)		12,946	4,860
		<hr/>	<hr/>
Total assets less current liabilities		103,303	99,022
		<hr/>	<hr/>
Creditors: amounts falling due after more than one year	14	(77,599)	(76,814)
		<hr/>	<hr/>
Provisions for liabilities and charges	15	(19,454)	(17,171)
		<hr/>	<hr/>
Net assets		6,250	5,037
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	17	5,100	5,100
Profit and loss account	18	1,150	(63)
		<hr/>	<hr/>
Equity shareholders' funds	19	6,250	5,037
		<hr/>	<hr/>

The financial statements on pages 5 to 16 were approved by the board of directors on 18 March 1999 and were signed on its behalf by:



S F Sim
Director



J M Kutner
Director/ Company Secretary

Tyseley Waste Disposal Limited

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.

Turnover

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

Deferred taxation

Provision is made in full for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

This represents a change in accounting policy. Provision in prior years reflected the fact that deferred tax was group relieved at a different rate.

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

Where appropriate the company takes advantage of the exemption available under paragraph 3(c) of FRS8 not to disclose inter 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.

Tyseley Waste Disposal Limited

2 Turnover

Turnover consists entirely of sales made in the United Kingdom.

3 Director's emoluments

	1998 £000	1997 £000
Fees	-	-
Other emoluments (including pension contributions and benefits in kind)	93	90
	<hr/> 93	<hr/> 90

One director who receives emoluments from the company is in the group's money purchase pension scheme.

4 Employees

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

	1998 Number	1997 Number
By activity		
Incineration and Maintenance	75	73
Transport	64	66
Administration	9	9
	<hr/> 148	<hr/> 148

	1998 £000	1997 £000
Staff costs (for the above persons)		
Wages and salaries	3,527	3,421
Social security costs	289	275
Other pension costs (see note 16)	427	417
	<hr/> 4,243	<hr/> 4,113

5 Costs relating to claims/ claims receivable

During the commissioning of the Energy from Waste plant, Tyseley Waste Disposal Limited made claims against its insurers and the construction contractors which were settled for £3.3m. The claims were conducted on behalf of the company by other group companies who charged a sum of £2.3m.

Tyseley Waste Disposal Limited

	1998 £000	1997 £000
6 Interest payable and receivable		
Bank loans	(4,012)	(6,293)
Loans from fellow subsidiary companies	(2,763)	(935)
	(6,775)	(7,228)
Less: amounts capitalised	-	1,739
	(6,775)	(5,489)
Interest receivable	754	456
Interest on finance leases	(72)	(38)
Other interest payable	-	(3)
Net interest (payable) receivable	(6,093)	(5,074)
7 Profit on ordinary activities before taxation		
	1998 £000	1997 £000
Profit on ordinary activities before taxation is stated after crediting:		
Interest receivable	754	456
Profit on disposal of tangible fixed assets	20	-
And after charging:		
Depreciation charge for the year	4,712	3,496
Loss on disposal of tangible fixed assets	-	3
Amortisation of financing costs	179	-
Auditors' remuneration	26	25
Paid to auditors for non-audit services	3	23
Hire of plant and machinery and vehicles- operating leases	534	411
Rental of leasehold premises	1,664	1,664
Management charges	1,123	1,090

Tyseley Waste Disposal Limited

8	Tax on profit on ordinary activities	1998 £000	1997 £000 Restated
	United Kingdom corporation tax at 33% to 31 March 1997, 31% from 1 April 1997		
	Current (Group relief receivable)	(1,738)	(1,456)
	Deferred taxation	2,283	3,559
		<hr/> 545	<hr/> 2,103
	Amendment of previous years' estimates	-	(1,080)
		<hr/> 545	<hr/> 1,023

9	Intangible fixed assets	1998 £000	1997 £000
	Balance at 1 January 1998	1,800	1,867
	Profit on hire of surplus vehicles	-	(3)
		<hr/> 1,800	<hr/> 1,864
	Depreciation charge for year	(86)	(64)
		<hr/> 1,714	<hr/> 1,800

These costs represent the expenditure involved in winning the waste-disposal tender with Birmingham City Council, and the subsequent cost of mobilising the company.
The cost is being amortised over the period from completion of the construction of the incinerator to the end of the waste-disposal contract with Birmingham City Council.

Tyseley Waste Disposal Limited

10 Tangible fixed assets

	Incineration Plant £000	Plant and Machinery £000	Motor Vehicles £000	Office Equipment £000	Total £000
Cost					
At 1 January 1998	93,924	722	1,204	217	96,067
Additions	403	125	575	67	1,170
Disposals	(199)	(20)	(32)	-	(251)
At 31 December 1998	94,128	827	1,747	284	96,986
Depreciation					
At 1 January 1998	3,168	200	227	110	3,705
Charge for year	4,322	103	236	51	4,712
Disposals	(14)	(7)	(53)	-	(74)
At 31 December 1998	7,476	296	410	161	8,343
Net book value					
At 31 December 1998	86,652	531	1,337	123	88,643
At 31 December 1997	90,756	522	977	107	92,362

Included within motor vehicles are assets held under finance leases with a net book value of £1,199,000 (1997 - £927,000).

In the year to 31 December 1998, depreciation of £197,000 was charged on these assets (1997 - £112,000).

The cost of the incineration plant includes £11,673,000 of capitalised interest (1997- £11,673,000).

11 Stocks

	1998 £000	1997 £000
Maintenance materials and consumable items	986	844

12 Debtors

	1998 £000	1997 £000
Amounts falling due within one year		
Trade debtors	4,007	3,809
Amounts due from fellow subsidiary companies	9,186	1,855
Other debtors	450	1,583
Prepayments and accrued income	732	677
	14,375	7,924

Tyseley Waste Disposal Limited

13 Creditors: amounts falling due within one year

	1998 £000	1997 £000
Trade Creditors	5,602	2,754
Amounts due to fellow subsidiary companies	637	2,205
Income tax and social security	446	229
Other creditors	30	46
Accruals and deferred income	56	41
Due on bank loan within one year	-	5,945
Due on loan from fellow subsidiary company within one year	2,812	-
Due on finance leases within one year	287	203
	<hr/> 9,870	<hr/> 11,423

14 Creditors: amounts falling due after more than one year

	1998 £000	1997 £000
Bank loan	-	70,926
Loans from fellow subsidiary companies	85,188	5,000
Due on finance leases after one year	1,037	888
	<hr/> 86,225	<hr/> 76,814
Costs of refinancing	(8,626)	-
	<hr/> 77,599	<hr/> 76,814

In July 1998, Tyseley Finance plc, a fellow subsidiary company, 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 companies.

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

	£000
Amounts falling due in 1-2 years	3,002
Amounts falling due in 2-5 years	10,286
Amounts falling due in more than 5 years	71,900
	<hr/> 85,188
Amounts falling due within 1 year	2,812
	<hr/>
Total amounts payable	88,000
Financing costs	(8,626)
	<hr/> 79,374

Tyseley Waste Disposal Limited

15 Provisions for liabilities and charges

	Deferred Taxation
	£000 Restated
At 1 January 1998	17,171
Profit and loss account	2,283
At 31 December 1998	<u>19,454</u>

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

16 Pension obligations

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 1 October 1995. The market value of the scheme's assets at that date was £660,573 and the level of funding was 78%. The company is making up this shortfall by increasing its contributions to 17.9% with effect from 1 January 1997.

The main actuarial assumptions used in the valuation were:

Investment returns	9%
Pensionable salary increases	6.50%
Dividend increase rate	4.50%
Pension increases in excess of GMP	5%

Staff employees who were not formerly employed by Birmingham City Council are eligible to join the Vivendi UK Pension Scheme. This scheme is a defined contribution scheme where the company funding rate varies between 5% and 10% of salary costs.

	1998 £000
Cost to the company	379
Defined benefit scheme	48
Defined contributions scheme	<u>427</u>

At the balance sheet date £45,000 (1997 £44,000) was owing by the company to the various pension funds.

17 Called up equity share capital

	1998 £000	1997 £000
Authorised		
Ordinary shares of £1 each	10,000	10,000
Allotted, called up and fully paid		
Ordinary shares of £1 each	5,100	5,100

Tyseley Waste Disposal Limited

		1998 £000
18	Profit and loss account	
At 1 January 1998		
As previously reported		3,281
Prior year adjustment - 1997 prior years		(375) (2,969)
As restated		(63)
Retained profit for the year		1,213
At 31 December 1998		1,150

19	Reconciliations of movements in equity shareholders' funds		
		1998 £000	1997 £000
Profit / (loss) for the financial year as restated		1,213	1,069
Opening equity shareholders' funds as restated		5,037	3,968
Closing equity shareholders' funds		6,250	5,037

20 Ultimate holding company

The company's ultimate holding company is Vivendi S.A. incorporated in France. Copies of the parent's consolidated financial statements may be obtained from the Secretary, 42 avenue de Friedland, 75380 Paris, Cedex 08, France.

The company's immediate parent undertaking in the United Kingdom is Onyx Esys Montenay Limited (Registered in England and Wales).

21 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.

The sum of £6,480,000 included within debtors is committed to increase by £720,000 on 30 January 1999, 30 July 1999 and 30 January 2000.

Tyseley Waste Disposal Limited

22 Financial commitments

At 31 December 1998 the company had annual commitments under non-cancelable operating leases as follows:

	1998	1998	1997	1997
	Land and Buildings £000	Other £000	Land and Buildings £000	Other £000
Expiring within one year	-	-	-	96
Expiring between two and five years inclusive	-	336	-	535
Expiring in over five years	1,664	-	1,664	-
	1,664	336	1,664	631

The operating lease for land and buildings was due for review on 17 January 1999 but has not yet been finalised.

23 Guarantee

The company is party to an unlimited cross guarantee to Barclays Bank plc with CGEA UK Limited, Onyx UK Limited, Onyx Hampshire Limited, Onyx Aurora Limited, Onyx SELCHP Limited, Onyx Springfield Limited, Onyx Kingsbury Limited and Hampshire Waste Services Limited at 31 December 1998.

24 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.