

**Tyseley Waste Disposal Limited**

**Annual Report**

**for the year ended 31 December 1996**

Registered Number: 2692681



# **Tyseley Waste Disposal Limited**

## **Annual Report for the year ended 31 December 1996**

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Chairman	Sir Austin Bide
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Directors	C Cyr E Dupont-Madinier C Le Guidec J M Kutner R Morin S F Sim
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Secretary	J M Kutner
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Registered Office	James Road Tyseley Birmingham B11 2BA
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Auditors	Coopers & Lybrand 1 Embankment Place London WC2N 6NN
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	Robson Rhodes 186 City Road London EC1V 2NU
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# **Tyseley Waste Disposal Limited**

## **Directors' report for the year ended 31 December 1996**

The directors present their report and the audited financial statements for the year ended 31 December 1996.

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.

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

The new incinerator started to burn waste in August 1996 and to generate electricity in September 1996, and, at the year-end was undergoing commissioning and final tests.

Turnover for 1997 is expected to increase substantially, although, with the high level of interest payable on the loans in the early years, it is not expected to lead to higher profits in 1997.

### **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. (1995 - nil)

## **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.

## **Share capital**

There have been no shares issued during the year.

## **Charitable and political donations**

The company made charitable donations of £454 (1995 £nil) during the year.  
There were no political donations during the year.

# **Tyseley Waste Disposal Limited**

## **Ultimate holding company**

The company's ultimate holding company is Compagnie Generale des Eaux S.A. incorporated in France. Copies of the parent's consolidated financial statements may be obtained from the Secretary, 52 Rue d'Anjou, 75384 Paris Cedex 08.

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

## **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.

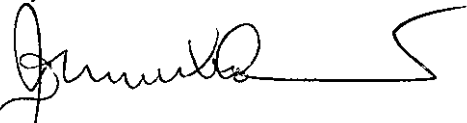
The directors confirm that suitable accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 1996. The directors also confirm that applicable accounting 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.

## **Auditors**

A resolution to reappoint the joint auditors, Coopers & Lybrand and Robson Rhodes will be proposed at the annual general meeting.

By order of the board



J/M Kutner  
Company secretary  
26 March 1997

# 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 8 and 9.

### 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 1996 and of its profit and cash flow for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand

Coopers & Lybrand  
Chartered Accountants &  
Registered Auditors

London  
26 March 1997



Robson Rhodes  
Chartered Accountants &  
Registered Auditors

London  
26 March 1997

# Tyseley Waste Disposal Limited

## Profit and loss account for the year ended 31 December 1996

	Notes	1996 £	1995 £
Turnover- continuing operations	2	17,723,572	15,090,680
Operating costs		(14,151,552)	(13,014,440)
Gross profit		3,572,020	2,076,240
Administrative expenses		(1,642,027)	(1,500,853)
Operating profit - continuing operations		1,929,993	575,387
Interest receivable	5	102,317	112,412
Profit on ordinary activities before taxation	6	2,032,310	687,799
Tax on profit on ordinary activities	7	(670,662)	(226,974)
Retained profit for the financial year	17	1,361,648	460,825

The notes on pages 8 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.

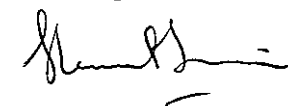
There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalents.

# Tyseley Waste Disposal Limited

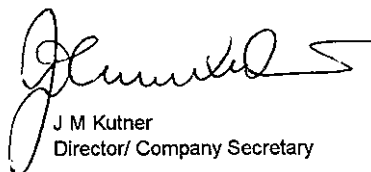
## Balance Sheet as at 31 December 1996

	Notes	1996 £	1995 £
<b>Fixed Assets</b>			
Intangible Assets	8	1,866,742	1,877,469
Tangible assets	9	90,830,012	73,292,274
		<hr/> 92,696,754	<hr/> 75,169,743
<b>Current Assets</b>			
Stocks	10	17,773	170,306
Debtors	11	9,456,072	7,560,118
Cash at bank and in hand		4,680,008	496,031
		<hr/> 14,153,853	<hr/> 8,226,455
<b>Creditors: amounts falling due within one year</b>	12	(11,491,463)	(9,633,819)
<b>Net current assets (liabilities)</b>		<hr/> 2,662,390	<hr/> (1,407,364)
<b>Total assets less current liabilities</b>		<hr/> 95,359,144	<hr/> 73,762,379
<b>Creditors: amounts falling due after more than one year</b>	13	(77,778,273)	(62,686,333)
<b>Provisions for liabilities and charges</b>	14	(10,643,163)	(5,499,986)
<b>Net assets</b>		<hr/> 6,937,708	<hr/> 5,576,060
<b>Capital and reserves</b>			
Called up share capital	16	5,100,097	5,100,097
Profit and loss account	17	1,837,611	475,963
<b>Equity shareholders' funds</b>	18	<hr/> 6,937,708	<hr/> 5,576,060

The financial statements on pages 5 to 16 were approved by the board of directors on 26 March 1997 and were signed on its behalf by:



S F Sim  
Director



J M Kutner  
Director/ Company Secretary



# Tyseley Waste Disposal Limited

## Cash flow statement for the year ended 31 December 1996

	Notes	1996 £	1995 £
Net cash inflow from continuing activities	19	3,611,376	139,545
Returns on investment and servicing of finance	Note 1 below	(6,282,225)	(3,157,242)
Taxation- group relief received		2,709,000	1,320,000
Capital expenditure	Note 1 below	(15,338,884)	(43,771,166)
Financing	Note 1 below	19,484,710	45,086,333
		<hr/>	<hr/>
Increase (Decrease) in cash		4,183,977	(382,530)

### Note 1 Gross cash flows

#### Returns on investment and servicing of finance

Interest received	125,944	112,412
Interest paid on loans, capitalised	(6,384,542)	(3,269,654)
Interest paid other	(1,118)	
Finance lease interest	(22,509)	0
	<hr/>	<hr/>
	(6,282,225)	(3,157,242)

#### Capital expenditure

Payments to acquire tangible fixed assets	(15,361,534)	(43,786,133)
Receipts from sale of tangible fixed assets	22,650	15,000
	<hr/>	<hr/>
	(15,338,884)	(43,771,133)

#### Financing

Finance leases	650,400	0
Repayment of finance leases	(45,723)	0
Bank loan	18,880,033	45,086,333
	<hr/>	<hr/>
	19,484,710	45,086,333

### Note 2 Analysis of changes in net debt

	At 1 Jan 1996	Cash Flows	Other Changes	At 31 Dec 1996
Cash in hand and at bank	496,031	4,183,977		4,680,008
Bank loan within one year	0		4,295,373	4,295,373
Bank loan after one year	57,686,333	18,880,033	(4,295,373)	72,270,993
Other loans after one year	5,000,000			5,000,000
Finance lease		604,677		604,677
	<hr/>	<hr/>	<hr/>	<hr/>
	63,182,364	23,668,687	0	86,851,051

#### Reconciliation of net cash flow to movement in net debt

Increase in cash in the year	4,183,977	
Increase in bank loan	18,880,033	
New finance leases	650,400	
Repayment of finance leases	(45,723)	
	<hr/>	
Change in net debt		23,668,687
Net debt at 1 Jan 1996		63,182,364
		<hr/>
Net debt at 31 December 1996		86,851,051

# **Tyseley Waste Disposal Limited**

## **Notes to the financial statements**

### **for the year ended 31 December 1996**

#### **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 consistently applied, is set out below.

The company has adopted the revised FRS 1 cash flow statements, early.

#### **Basis of accounting**

The financial statements are prepared in accordance with the historical cost convention.

#### **Intangible fixed assets**

Start up costs capitalised relate to costs incurred in winning new contracts and additional operational costs incurred in the mobilisation phase of new contracts. The mobilisation phase of a contract is a period of not longer than six months from the date the contract is awarded to the company. Start up costs are amortised on a straight line basis over the life of the contract. If it is apparent that a contract has, or is likely to become loss -making, then the balance of start up costs is written off immediately.

#### **Tangible fixed assets**

The cost of the incinerator, which was undergoing final commissioning and testing at the year-end, is the certified value of work done.

The cost of other 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.

The principal annual rates used for this purpose are:

	%
Plant and machinery	10
Motor vehicles	25
Office equipment	20

Costs associated with the new incinerator and other projects will be written off, from completion, over the remaining period of the waste disposal contract with Birmingham City Council.

Interest on loans taken out specifically for the construction of the incinerator is capitalised during the period of construction and is included in the cost of tangible fixed assets.

## **Tyseley Waste Disposal Limited**

### **Operating leases**

Costs in respect of operating leases are charged on a straight line basis over the lease term.

### **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.

### **Turnover**

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

### **Deferred taxation**

Provision is made 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.

### **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.

## **2 Turnover**

Turnover consists entirely of sales made in the United Kingdom.

## Tyseley Waste Disposal Limited

### 3 Director's emoluments

	1996 £	1995 £
Fees	-	-
Other emoluments (including pension contributions and benefits in kind)	90,833	78,777
	<u>90,833</u>	<u>78,777</u>

Fees and other emoluments (excluding pension contributions) include amounts paid to:

	1996 £	1995 £
The chairman	<u>6,000</u>	-
The highest paid director	<u>78,893</u>	<u>73,127</u>

The number of directors (including the chairman and the highest paid director) who received fees and other emoluments (excluding pension contributions) within the following ranges was:

	1996 Number	1995 Number
£0 to £5000	5	6
£5001-10000	1	-
£70000 to £75000	-	1
£75001-£80000	<u>1</u>	<u>-</u>

### 4 Employees

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

	1996 Number	1995 Number
<b>By activity</b>		
Incineration and Maintenance	71	60
Transport	69	69
Administration	6	6
	<u>146</u>	<u>135</u>

	1996 £	1995 £
<b>Staff costs (for the above persons)</b>		
Wages and salaries	3,382,452	3,036,190
Social security costs	279,314	256,218
Other pension costs (see note 15)	381,187	312,834
	<u>4,042,953</u>	<u>3,605,242</u>

## Tyseley Waste Disposal Limited

	1996 £	1995 £
<b>5 Interest payable and receivable</b>		
Bank loans repayable in more than 5 years	6,050,653	2,836,333
Loans from fellow subsidiary companies	333,889	433,321
	6,384,542	3,269,654
Less: amounts capitalised	(6,384,542)	(3,269,654)
	-	-
Interest receivable	(125,944)	(112,412)
Interest on finance leases	22,509	-
Other interest payable	1,118	-
	(102,317)	(112,412)
<b>6 Profit on ordinary activities before taxation</b>		
	1996 £	1995 £
Profit on ordinary activities before taxation is stated after crediting:		
Interest receivable	125,944	112,412
Profit on disposal of tangible fixed assets	21,853	7,317
And after charging:		
Depreciation charge for the year	179,192	85,157
Auditors' remuneration	20,700	12,000
Paid to auditors for non-audit services	19,300	10,000
Hire of plant and machinery and vehicles- operating leases	685,989	705,511
Rental of leasehold premises	1,664,000	1,664,000
Management charges	1,062,984	1,052,490
<b>7 Tax on profit on ordinary activities</b>	1996 £	1995 £
United Kingdom corporation tax at 33%		
Current (Group relief receivable)	(4,472,515)	(4,200,012)
Deferred (note 14)	5,143,177	4,426,986
	670,662	226,974

## Tyseley Waste Disposal Limited

### 8 Intangible fixed assets

Balance at 1 January 1996	1,877,469
Profit on hire of surplus vehicles	(10,727)
	<hr/>
Balance at 31 December 1996	1,866,742
	<hr/>

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 will be amortised over the period from completion of the construction of the incinerator to the end of the waste-disposal contract with Birmingham City Council.

### 9 Tangible fixed assets

	Incineration Plant £	Plant and Machinery £	Motor Vehicles £	Office Equipment £	Total £
<b>Cost</b>					
At 1 January 1996	72,894,845	315,452	79,861	143,608	73,433,766
Additions	16,789,706	205,519	708,731	13,771	17,717,727
Disposals	-	-	(1,367)	-	(1,367)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1996	89,684,551	520,971	787,225	157,379	91,150,126
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>					
At 1 January 1996	-	58,004	36,669	46,819	141,492
Charge for year	-	56,450	92,226	30,516	179,192
Disposals	-	-	(570)	-	(570)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1996	-	114,454	128,325	77,335	320,114
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value</b>					
At 31 December 1996	89,684,551	406,517	658,900	80,044	90,830,012
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1995	72,894,845	257,448	43,192	96,789	73,292,274
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

The new incinerator began to burn waste and generate electricity during the year. Acceptance was under review at the year-end. Depreciation will be calculated to write-off the cost over the remaining period of the waste-disposal contract with Birmingham City Council.

Part of the cost of construction of the new incinerator is payable in Deutsch Marks on which a forward exchange contract has been arranged with a fellow subsidiary company fixing the exchange rate to 2.408 DM = £1. At 31 December 1996, 1.6m DM remained to be invoiced by the contractor.

Included within motor vehicles are assets held under finance leases with a net book value of £583,625. (1995 - £ nil)  
In the year to 31 December 1996, depreciation of £66,775 was charged on these assets (1995 - £ nil)

The cost of the incineration plant includes £9,933,621 of capitalised interest. (1995 - £3,548,195)

### 10 Stocks

	1996 £	1995 £
Maintenance materials and consumable items	17,773	170,306
	<hr/>	<hr/>

## Tyseley Waste Disposal Limited

### 11 Debtors

	1996 £	1995 £
Amounts falling due within one year		
Trade debtors	2,916,537	1,786,630
Amounts due from fellow subsidiary companies	5,829,514	4,102,771
Other debtors	2,635	776,287
Prepayments and accrued income	707,386	894,430
	<hr/> 9,456,072	<hr/> 7,560,118

### 12 Creditors: amounts falling due within one year

	1996 £	1995 £
Trade Creditors	2,853,274	1,747,847
Amounts due to fellow subsidiary companies	3,780,816	7,697,572
Income tax and social security	259,260	91,886
Other creditors	131,763	40,009
Accruals and deferred income	73,580	56,505
Due on bank loan within one year	4,295,373	-
Due on finance leases within one year	97,397	-
	<hr/> 11,491,463	<hr/> 9,633,819

### 13 Creditors: amounts falling due after more than one year

	1996 £	1995 £
Bank loan	72,270,993	57,686,333
Loans from fellow subsidiary companies	5,000,000	5,000,000
Due on finance leases after one year	507,280	-
	<hr/> 77,778,273	<hr/> 62,686,333

The bank loan is the amount loaned by Banque Paribas out of a total facility of £81,300,000 to fund the construction of the new incinerator and other capital expenditure. The loan carries interest at 1.3% above LIBOR and is repayable from 1997 onwards. It is secured on the total assets of the company. As at 31 December 1996, £40,000,000 of the loan was the subject of a swap agreement entered into with Onyx UK Ltd and ESYS Montenay SA which fixed the interest rate paid by Tyseley Waste Disposal at 9.5% on this portion of the loan.

The loan is repayable in instalments over 14 years commencing in March 1997. The repayment schedule can be summarised as follows:-

£000,s

Amounts falling due in 1-2 years	8,658
Amounts falling due in 2-5 years	17,666
Amounts falling due in more than 5 years	54,976
	<hr/> 81,300

The loans from fellow subsidiary companies are also to fund the construction project and carry interest at 0.5% over LIBOR. Repayment cannot be made until the loan from Banque Paribas has been repaid in full.

## Tyseley Waste Disposal Limited

### 14 Provisions for liabilities and charges

	Deferred Taxation
	£
At 1 January 1996	5,499,986
Profit and loss account	5,143,177
At 31 December 1996	<u>10,643,163</u>

Deferred taxation represents the effect of timing differences arising on excess capital allowances over depreciation. The amount has been restricted to 80% to correspond to the amount receivable for group losses surrendered.

### 15 Pension obligations

The company has a defined benefit scheme operated by Sedgwick Noble Lowndes 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 pension scheme of Onyx UK Limited, a fellow group company. This scheme is a defined contribution scheme where the company's funding rate varies between 5% and 10% of salary costs.

	1996 £
Cost to the company	
Defined benefit scheme	356,633
Defined contributions scheme	<u>24,554</u>
	<u>381,187</u>

At the balance sheet date £63,388 (1995 £38,081) was owing by the company to the various pension funds.

### 16 Called up equity share capital

	1996 £	1995 £
<b>Authorised</b>		
Ordinary shares of £1 each	10,000,000	10,000,000
<b>Allotted, called up and fully paid</b>		
Ordinary shares of £1 each	<u>5,100,097</u>	<u>5,100,097</u>
	£	£
<b>17 Profit and loss account</b>		
At 1 January 1996	475,963	15,138
Retained profit for the year	<u>1,361,648</u>	<u>460,825</u>
At 31 December 1996	<u>1,837,611</u>	<u>475,963</u>



## Tyseley Waste Disposal Limited

### 18 Reconciliations of movements in equity shareholders' funds

	1996 £	1995 £
Profit for the financial year	1,361,648	460,825
Opening equity shareholders' funds	5,576,060	5,115,235
Closing equity shareholders' funds	6,937,708	5,576,060

### 19 Reconciliation of operating profit (loss) to net cash flow from operating activities

	1996 £	1995 £
Operating profit	1,929,993	575,387
Depreciation	179,192	85,157
Adjustment of intangible fixed assets	10,727	35,891
Profit on sale of tangible fixed assets	(21,853)	(7,317)
Decrease in stocks	152,533	8,432
Decrease (Increase) in debtors	(132,439)	572,046
(Decrease) Increase in creditors	1,493,223	(1,130,051)
Net cash inflow	3,611,376	139,545

### 20 Analysis of changes in financing during the year

	1996 £ Share Capital	1996 £ Loans	1995 £ Share Capital	1995 £ Loans
At 1 January	5,100,097	62,686,333	5,100,097	17,600,000
Bank loans	-	18,880,033	-	45,086,333
At 31 December	5,100,097	81,566,366	5,100,097	62,686,333

## Tyseley Waste Disposal Limited

### 21 Cash and cash equivalents

	1996 £	1995 £
Changes in the year		
At 1 January	496,031	878,528
Net cash inflow (outflow)	4,183,977	(382,497)
At 31 December	4,680,008	496,031

The balance comprises cash at bank and in hand

### 22 Capital commitments

	1996 £	1995 £
Capital expenditure that has been contracted for but has not been provided for in the financial statements	674,000	9,280,000

### 23 Financial commitments

At 31 December 1996 the company had annual commitments under non-cancellable operating leases as follows:

	1996 Land and Buildings £	1996 Other £	1995 Land and Buildings £	1995 Other £
Expiring within one year	-	114,346	-	
Expiring between two and five years inclusive	-	677,002	-	791,348
Expiring in over five years	1,664,000	-	1,664,000	
	1,664,000	791,348	1,664,000	791,348