
SITA SECURITY SHREDDING LIMITED
(formerly Capital Security Group Limited)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2002



SITA SECURITY SHREDDING LIMITED

COMPANY INFORMATION

DIRECTORS	IA Sexton P-A Hjort
SECRETARY	J Knight
COMPANY NUMBER	2782456
REGISTERED OFFICE	SITA House Grenfell Road Maidenhead Berkshire SL6 1ES
AUDITORS	Ernst & Young LLP 1 More London Place London SE1 2AF

SITA SECURITY SHREDDING LIMITED

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SITA SECURITY SHREDDING LIMITED

DIRECTORS' REPORT **For the year ended 31 December 2002**

The directors present their annual report and financial statements for the year ended 31 December 2002.

CHANGE OF NAME

On 6 February 2002 the company changed its name from Capital Security Group Limited to SITA Security Shredding Limited.

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS

The principal activity of the company is that of security shredding and paper recycling.

The directors consider the level of activity throughout the year, together with the financial year end position, to be satisfactory and anticipate in both respects that this will continue.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £444,000 (2001 - profit of £83,000) .

DIRECTORS

The directors who served throughout the year (except as noted) were as follows:

IF Goodfellow (resigned 31 May 2003)
P-A Hjort (appointed 31 May 2003)
ST Mills (resigned 8 January 2002)
TG Mills (resigned 7 February 2002)
ASP Richmond (resigned 31 May 2002)
PJ Scarborough (resigned 8 January 2002)
IA Sexton
SR Talbot (resigned 31 May 2002)

No directors who held office on 31 December 2002 had an interest in the company's shares either during the financial year or at 31 December 2002.

The interests of the directors who held office on 31 December 2002 in the shares of the ultimate parent company, Suez SA are reported in the Directors' Report and Financial Statements of the company's United Kingdom holding company, SITA Holdings UK Limited, for the year ended 31 December 2002.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements 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 financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements 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 financial statements comply with the Companies Act 1985. They are responsible for the system of internal controls, safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

SITA SECURITY SHREDDING LIMITED

DIRECTORS' REPORT
For the year ended 31 December 2002

AUDITORS

On 7 July 2003, Deloitte & Touche resigned as auditors and Ernst & Young LLP were appointed to fill the casual vacancy. A resolution to re-appoint Ernst & Young LLP as auditors was put to the members by written resolution on 2 October 2003.

This report was approved by the board on 3 December 2003 and signed on its behalf by:



IA Sexton
Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SITA SECURITY SHREDDING LIMITED

We have audited the company's financial statements for the year ended 31 December 2002 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 19. These financial statements have been prepared on the basis of the accounting policies set out therein.

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described in the statement of Directors' Responsibilities, the company's directors are responsible for the preparation of financial statements in accordance with applicable United Kingdom law and accounting standards.

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 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 for the above year and consider the implications for our report if we become aware of any apparent misstatements within it.

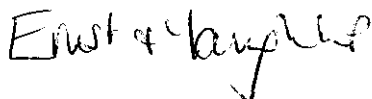
BASIS OF AUDIT OPINION

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 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
London

3 December 2003

SITA SECURITY SHREDDING LIMITED

PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2002

		2002	<i>(restated)</i>
	Note	£000	2001 £000
TURNOVER	2	2,603	2,886
Cost of sales		<u>(2,039)</u>	<u>(1,176)</u>
GROSS PROFIT		564	1,710
Administrative expenses		<u>(120)</u>	<u>(1,577)</u>
OPERATING PROFIT	3	444	133
Interest receivable		6	-
Interest payable	5	<u>(6)</u>	<u>(13)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		444	120
TAX ON PROFIT ON ORDINARY ACTIVITIES	6	<u>-</u>	<u>(37)</u>
RETAINED PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE YEAR		444	83
PROFIT AND LOSS ACCOUNT BROUGHT FORWARD		<u>512</u>	<u>429</u>
PROFIT AND LOSS ACCOUNT CARRIED FORWARD		<u><u>956</u></u>	<u><u>512</u></u>

All amounts relate to continuing operations.

The notes on pages 7 to 15 form an integral part of these financial statements.

SITA SECURITY SHREDDING LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 31 December 2002


	2002 £000	<i>(restated)</i> 2001 £000
PROFIT FOR THE FINANCIAL YEAR	444	83
Restatement of deferred tax under FRS 19	4	-
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR	448	83

SITA SECURITY SHREDDING LIMITED

BALANCE SHEET
As at 31 December 2002

			2002		(restated) 2001
	Note	£000	£000	£000	£000
FIXED ASSETS					
Tangible assets	7		504		454
CURRENT ASSETS					
Stocks		7		4	
Debtors	8	1,075		776	
Cash at bank		20		4	
		<u>1,102</u>		<u>784</u>	
CREDITORS: amounts falling due within one year	9	<u>(620)</u>		<u>(684)</u>	
NET CURRENT ASSETS			<u>482</u>		<u>100</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>986</u>		<u>554</u>
CREDITORS: amounts falling due after more than one year	10		-		(20)
PROVISIONS FOR LIABILITIES AND CHARGES					
Deferred taxation	11		(29)		(21)
NET ASSETS			<u>957</u>		<u>513</u>
CAPITAL AND RESERVES					
Called up share capital	12		1		1
Profit and loss account			956		512
SHAREHOLDERS' FUNDS - All Equity	13		<u>957</u>		<u>513</u>

The financial statements were approved by the board on 3 December 2003 and signed on its behalf.



IA Sexton
Director

The notes on pages 7 to 15 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2002

1. ACCOUNTING POLICIES

The principal accounting policies which are summarised below have been applied consistently throughout the current and preceding year.

1.1 Basis of preparation of financial statements and change in accounting policy

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The company is exempt from the requirements of FRs 1 (Revised) to prepare a cash flow statement as it is a wholly owned subsidiary undertaking and the consolidated financial statements of the group in which it is included are publicly available.

In preparing the financial statements for the current year, the company has adopted FRS 18 'Accounting Policies'. Adoption of this FRS has had no effect on the results for the year or required any restatement of prior year comparatives.

In preparing the financial statements for the current year, the company has adopted FRS 19 'Deferred Tax'. The adoption of FRS 19 has resulted in a change in accounting policy for deferred tax. Deferred tax is recognised on a full provision basis in accordance with the accounting policy described below. Previously deferred tax was provided for on a partial provision basis, whereby provision was made on all timing differences to the extent that they were expected to reverse in the future without replacement.

This change in accounting policy has resulted in a prior year adjustment. Shareholders' funds at 1 January 2001 have been decreased by £2,000. The tax charge for the year ended 31 December 2001 has been decreased by £6,000. The provision for deferred tax has been decreased by £4,000 at 31 December 2001. The change in accounting policy has not had a material effect on the profit of the company for the year.

1.2 Turnover

Turnover comprises the invoiced value of goods and services supplied by the company, exclusive of trade discounts, value added tax and other related taxes.

1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation less depreciation and any provision for impairment. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Freehold land and buildings	-	2% straight line
Plant and machinery	-	25% reducing balance
Motor vehicles	-	20% reducing balance
Fixtures, fittings and equipment	-	20% reducing balance

1.4 Leasing and hire purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

1.5 Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the profit and loss account on a straight line basis over the term of the lease.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2002

1.6 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks.

1.7 Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on a discounted basis at the tax rates that are expected to apply in the period in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

2. TURNOVER

The whole of the turnover is attributable to the principal activity of the recycling of paper.

All turnover arose on services provided in the United Kingdom.

3. OPERATING PROFIT

The profit on ordinary activities before taxation is stated after charging:

	2002	<i>2001</i>
	£000	£000
Depreciation of tangible fixed assets:		
- owned by the company	58	<i>84</i>
- held under finance leases	45	<i>27</i>
Operating lease rentals:		
- plant and machinery	42	<i>53</i>
- other operating leases	34	<i>92</i>
Directors' emoluments	-	<i>101</i>
	<hr/>	<hr/>

The auditors' remuneration for the current and prior years was borne by the company's UK parent undertaking SITA Holdings UK Limited.

The directors did not receive any emoluments in the current year in respect of their services as directors of the company.

4. STAFF COSTS

The company does not directly employ any personnel.

SITA SECURITY SHREDDING LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2002

5. INTEREST PAYABLE

	2002	2001
	£000	£000
Bank loans and overdrafts	-	8
Finance leases and hire purchase contracts	6	5
	<u>6</u>	<u>13</u>

SITA SECURITY SHREDDING LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2002

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2002	<i>2001</i>
	£000	<i>£000</i>
Current tax		
UK corporation tax	120	<i>36</i>
Tax overprovided in prior years	(128)	<i>-</i>
	<hr/>	<hr/>
Total current tax	(8)	<i>36</i>
	<hr/>	<hr/>
Deferred tax		
Origination and reversal of timing differences	8	<i>1</i>
	<hr/>	<hr/>
Tax on ordinary activities	-	<i>37</i>
	<hr/> <hr/>	<hr/> <hr/>

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 30% (2001 - 30%). The differences are reconciled below:

	2002	<i>2001</i>
	£'000	<i>£'000</i>
Profit on ordinary activities before tax	444	<i>120</i>
	<hr/> <hr/>	<hr/> <hr/>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2001 - 30%)	133	<i>36</i>
Expenses not deductible for tax purposes	3	<i>1</i>
Accelerated capital allowances	(8)	<i>(1)</i>
Tax overprovided in previous years	(128)	<i>-</i>
	<hr/>	<hr/>
Total current tax	-	<i>36</i>
	<hr/> <hr/>	<hr/> <hr/>

SITA SECURITY SHREDDING LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2002

6. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

(c) Deferred tax

The deferred tax included in the balance sheet is as follows:

	2002 £'000	2001 £'000
Included in provisions for liabilities and charges (note 11)	(29)	(21)
	<u>(29)</u>	<u>(21)</u>
Comprising:		
Accelerated capital allowances	(26)	(18)
Discount	(3)	(3)
	<u>(29)</u>	<u>(21)</u>
		£'000
At 1 January 2002 as originally reported		(25)
Prior year adjustment on adoption of FRS 19		<u>4</u>
At 1 January 2002 as restated		(21)
Deferred tax charge in the profit and loss account		(8)
		<u>(29)</u>
At 31 December 2002		<u>(29)</u>

SITA SECURITY SHREDDING LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2002

7. TANGIBLE FIXED ASSETS

	Freehold land and buildings £000	Plant and machinery £000	Motor vehicles £000	Furniture, fittings and equipment £000	Total £000
Cost					
At 1 January 2002	49	531	214	44	838
Additions	2	22	1	40	65
Disposals	-	(39)	-	-	(39)
Transfers from group companies	-	39	177	3	219
At 31 December 2002	51	553	392	87	1,083
Depreciation					
At 1 January 2002	1	249	117	17	384
Charge for the year	2	54	45	2	103
Transfers from group companies	-	-	89	3	92
At 31 December 2002	3	303	251	22	579
Net book value					
At 31 December 2002	48	250	141	65	504
At 31 December 2001	48	282	97	27	454

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2002 £000	2001 £000
Plant and machinery	21	80

8. DEBTORS

	2002 £000	2001 £000
Due within one year		
Trade debtors	477	309
Amounts owed by group undertakings	497	177
Other debtors	53	8
Prepayments and accrued income	48	282
	1,075	776

SITA SECURITY SHREDDING LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2002

9. CREDITORS:

Amounts falling due within one year

	2002	2001
	£000	£000
Bank loans and overdrafts	-	273
Net obligations under finance leases and hire purchase contracts	20	41
Trade creditors	95	60
Amounts owed to group undertakings	200	103
Corporation tax	207	116
Social security and other taxes	71	6
Other creditors	1	-
Accruals and deferred income	26	85
	<u>620</u>	<u>684</u>

The bank overdraft is secured by a composite guarantee and mortgage debenture from the immediate parent and fellow subsidiary undertakings.

10. CREDITORS:

Amounts falling due after more than one year

	2002	2001
	£000	£000
Net obligations under finance leases and hire purchase contracts	-	20
Obligations under finance leases and hire purchase contracts, included above, are payable as follows:		
	2002	2001
	£000	£000
Within one year	20	41
Between two and five years	-	20
	<u>20</u>	<u>61</u>

All finance lease obligations are secured on the related leased asset.

11. DEFERRED TAXATION

	2002	2001
	£000	£000
Deferred taxation	<u>29</u>	<u>21</u>

SITA SECURITY SHREDDING LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2002

12. SHARE CAPITAL

	2002	<i>2001</i>
	£000	<i>£000</i>
Authorised, allotted, called up and fully paid		
1,000 Ordinary shares of £1 each	<u>1</u>	<u>1</u>

13. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2002	<i>(restated)</i> <i>2001</i>
	£000	<i>£000</i>
Profit for the year	<u>444</u>	<u>83</u>
	444	83
Opening shareholders' funds (originally £509,000 before adding prior year adjustment of £4,000)	<u>513</u>	<u>430</u>
Closing shareholders' funds	<u><u>957</u></u>	<u><u>513</u></u>

14. CONTINGENT LIABILITIES

SITA Security Shredding Limited is party to a cross-guarantee arrangement with other SITA group companies in respect of bank overdrafts. The potential liability outstanding at 31 December was £34,138,000 (2001 - £8,409,000).

15. PENSION COMMITMENTS

The company does not directly employ any staff and therefore does not directly bear any pension charge.

16. OPERATING LEASE COMMITMENTS

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

	Land & buildings		Other	
	2002	<i>2001</i>	2002	<i>2001</i>
	£000	<i>£000</i>	£000	<i>£000</i>
Expiry date:				
Within 1 year	-	-	6	-
Between 2 and 5 years	-	-	-	28
After more than 5 years	<u>40</u>	<u>-</u>	<u>-</u>	<u>-</u>

17. RELATED PARTY TRANSACTIONS

In accordance with the exemption under Financial Reporting Standard 8 the company does not disclose transactions with companies which are at least 90% controlled within the group because copies of the group financial statements are publicly available.

SITA SECURITY SHREDDING LIMITED

NOTES TO THE FINANCIAL STATEMENTS **For the year ended 31 December 2002**

18. CONTROLLING PARTY

In the opinion of the directors, SITA Holdings UK Limited controls the company as a result of controlling 95% of the issued share capital of SITA Security Shredding Limited. Suez SA is the ultimate controlling party, being the ultimate controlling party of SITA Holdings UK Limited.

19. PARENT COMPANY

The ultimate parent undertaking is Suez SA, a company incorporated in France.

The largest group of which SITA Security Shredding Limited is a member and for which group financial statements are drawn up is that headed by Suez SA, whose consolidate financial statements are available from 1 Rue d'Astorg, Paris, France. The smallest such group is that headed by SITA Holdings UK Limited, a company registered in England and Wales. The consolidated financial statements of SITA Holdings UK Limited may be obtained from SITA House, Grenfell Road, Maidenhead, Berkshire, SL6 1ES.