

Registered number: 02782456

SITA Security Shredding Limited

Directors' report and financial statements

for the year ended 31 December 2011

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SITA Security Shredding Limited

Company Information

Directors	C Chapron D Palmer-Jones
Company secretary	J Knight
Company number	02782456
Registered office	SITA House Grenfell Road Maidenhead Berkshire SL6 1ES
Auditor	Mazars LLP Tower Bridge House St Katharine's Way London E1W 1DD

SITA Security Shredding Limited

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SITA Security Shredding Limited

Directors' report for the year ended 31 December 2011

The directors present their report and the financial statements for the year ended 31 December 2011

Principal activities and review of business

The company's principal activity during the year was the provision of security paper shredding and recycling services

Turnover has remained consistent with the prior year. Operating profit has decreased slightly due to higher subcontract costs and higher salary costs experienced in 2011, as well as higher legal and professional fees incurred

The directors consider the level of activity and profitability throughout the year to be satisfactory, and expect the company to continue to trade profitably and at similar volumes for the foreseeable future

Results and dividends

The profit for the year, after taxation, amounted to £447,000 (2010 - £ 467,000)

The directors do not recommend the payment of a dividend (2010 - £nil)

Directors

The directors who served during the year were

C Chapron
D Palmer-Jones

No director who held office on 31 December 2011 had an interest in the company's shares either during the financial year or at 31 December 2011

Directors' indemnity

The company has granted indemnity to one or more of its directors against liabilities in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report

Going concern

The company's going concern is intrinsically linked to the performance, risks and going concern of the SITA Group. The SITA group, along with its ultimate parent company GDF Suez SA, has considerable financial resources together with long term contracts with a number of customers across different geographic areas and within different sectors of the recycling industry. As a consequence, the directors believe that the SITA group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

Having made enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Future developments

The directors expect that the company will continue to trade profitably and at similar volumes for the foreseeable future.

SITA Security Shredding Limited

Directors' report for the year ended 31 December 2011 Environmental matters

Our purpose is to protect our environment by putting waste to good use

A crucial element of this is ensuring that the vision of the circular economy – where the waste cycle can work with the economic cycle to return waste as a secondary resource back into production and consumption – becomes a reality and value is extracted from waste

In 2011 the SITA group

- recycled and recovered over 2 million tonnes of the materials we handled,
- generated over 700,000 megawatt-hours of electricity from our landfill gas and energy-from-waste facilities,
- registered for re-certification of the Carbon Trust Standard, recognition of our commitment towards reducing our carbon footprint,
- ranked at position 211 within the Carbon Reduction Commitment Performance League Table,
- produced over 100,000 tonnes of compost, and
- reduced our direct & indirect Greenhouse Gas emissions by 6.6% on the previous year

Furthermore, SITA UK Limited became the first recycling and resource company to be featured in the highly-respected Sunday Times Best Green Companies Top 60 League Table

Principal risks and uncertainties

The SITA Group has established a risk committee that evaluates the main risks facing the Group and the measures in place to manage those risks. The principal risks and uncertainties facing the Group are broadly grouped as operational risks, competitive risks, legislative risks, health and safety risks and financial instrument risks

Operational risks

The SITA Group's operations involve some major public sector contracts, ranging from periods of 7 to 25 years or more, where default on the contract may result in substantial compensation payments to the client

Long-term contracts also expose the Group to the risk that the contract's revenue profile over the life of the contract may not be sufficient to compensate the Group for unforeseen cost increases, and hence losses may result. The Group has put in place rigorous tender approval procedures to ensure all risks are properly considered. The Group's management and review procedures are aimed at ensuring any problems are identified at an early stage and steps are taken to mitigate any losses arising

The success of the Group's operations is dependent upon the recruitment and retention of good quality staff. The Group's strategy seeks to make the SITA Group the preferred employer in the waste management sector through its employment policies

Competitive risks

Part of the SITA Group's business involves contracts with local authorities which are subject to periodic competitive tender. Renewal of these contracts is uncertain and based on financial and performance criteria

The remaining business relies upon short-term contracts and non-contractual business from industrial and commercial customers, which is subject to normal price competition in the open market

Legislative risks

The waste management business is subject to strict legislation and regulation. These standards are subject to continuous revision. Compliance with new standards can impose additional costs on the Group, and failure to comply could result in heavy penalties. The Group's management systems aim to ensure compliance with all relevant regulations

SITA Security Shredding Limited

Directors' report for the year ended 31 December 2011 Principal risks and uncertainties (continued)

Health and safety risks

The SITA Group acknowledges that its employees working within the waste management industry face significant potential hazards in their everyday work. The Group makes every effort to ensure that its Health and Safety policies are of the highest standard, are fit for purpose and are strictly adhered to on a daily basis.

Financial instrument risks

The Group has established a risk and financial management framework whose primary objectives are to protect the Group from events that hinder the achievement of the Group's performance objectives.

Use of derivatives

On certain major contracts, the SITA Group uses interest rate swaps in respect of the related funding to reduce exposure to interest rate movements.

Exposure to price, credit, liquidity and cash flow risk

Price risk arises on financial instruments because of changes in, for example, commodity prices or equity prices. The Group's major joint venture and associated investments, which the Group does not intend to sell in the short-term, are held at net asset value and are therefore not exposed to price risk.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Group policies are aimed at minimising such losses, and require that deferred terms are only granted to customers who demonstrate an appropriate payment history and satisfy credit worthiness procedures.

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Cash flow risk is the risk of exposure to variability of cash flows relating to a recognised asset or liability such as future interest payments on a variable rate debt. The Group produces long-term cash forecasts and monitors cash flows against these on a daily basis to ensure all financial obligations may be met as they fall due. Group funding requirements are periodically agreed with the Suez Group.

SITA Security Shredding Limited

Directors' report for the year ended 31 December 2011

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether UK 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

Provision of information to auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- each director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information.


Re-appointment of auditors

The re-appointment of auditors will be considered at the company's AGM.

This report was approved by the board on

30 MAY 2012

and signed on its behalf



C Chapron
Director

SITA Security Shredding Limited

Independent auditor's report to the shareholder of SITA Security Shredding Limited

We have audited the financial statements of SITA Security Shredding Limited for the year ended 31 December 2011, which comprise the Profit and loss account, the Balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Respective responsibilities of directors and auditor

As explained more fully in the Directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. This report is made solely to the company's member in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's member those matters we are required to state to them in an auditor's 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 member for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Auditing Practices Board's website at www.frc.org.uk/apb/scope/private.cfm

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

SITA Security Shredding Limited

Independent auditor's report to the shareholder of SITA Security Shredding Limited

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



David Herbinet (Senior statutory auditor)
for and on behalf of

Mazars LLP

Chartered Accountants and Statutory Auditor

Tower Bridge House

St Katharine's Way

London

E1W 1DD

Date 6/6/2012

SITA Security Shredding Limited

**Profit and loss account
for the year ended 31 December 2011**

	Note	2011 £000	2010 £000
Turnover	1,2	2,590	2,475
Cost of sales		(1,555)	(1,506)
Gross profit		1,035	969
Administrative expenses		(439)	(333)
Operating profit	3	596	636
Interest receivable and similar income	5	17	18
Interest payable and similar charges	6	-	(1)
Profit on ordinary activities before taxation		613	653
Tax on profit on ordinary activities	7	(166)	(186)
Profit for the financial year	14	447	467

All amounts relate to continuing operations

There were no recognised gains and losses for 2011 or 2010 other than those included in the Profit and loss account

The notes on pages 9 to 16 form part of these financial statements

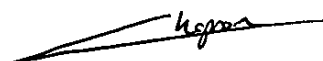
SITA Security Shredding Limited
Registered number: 02782456

Balance sheet
as at 31 December 2011

	Note	£000	2011 £000	2010 £000
Fixed assets				
Tangible assets	8		939	447
Current assets				
Stocks	9	13		21
Debtors	10	3,377		3,439
		<u>3,390</u>		<u>3,460</u>
Creditors: amounts falling due within one year	11	<u>(185)</u>		<u>(210)</u>
Net current assets			<u>3,205</u>	<u>3,250</u>
Total assets less current liabilities			<u>4,144</u>	<u>3,697</u>
Capital and reserves				
Called up share capital	13		1	1
Profit and loss account	14		4,143	3,696
Shareholders' funds	15		<u>4,144</u>	<u>3,697</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

30 MAY 2012



C Chapron
Director

The notes on pages 9 to 16 form part of these financial statements

**Notes to the financial statements
for the year ended 31 December 2011**

1. Accounting policies

1.1 Basis of preparation of financial statements

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

Having taken into account all available information, in particular forecasts for the next twelve months from the date of approval of the financial statements, and having performed the appropriate sensitivity analyses, the directors are of the opinion that it is appropriate to prepare the accounts on a going concern basis

1.2 Cash flow

The company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS 1

1.3 Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied. Revenue is measured at fair value of the consideration received including landfill tax where appropriate, and exclusive of trade discounts, rebates, Value Added Tax and other sales taxes or duty

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. 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 property	-	50 years, straight line
Plant & machinery	-	3 - 10 years, straight line
Motor vehicles	-	4 - 10 years, straight line
Fixtures & fittings	-	3 - 5 years, straight line
Assets under construction	-	Depreciation commences upon completion of asset

1.5 Operating leases

Rentals under operating leases are charged to the Profit and loss account on a straight line basis over the lease term

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. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads

1.7 Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year. Contributions are made by the company and the employees to a separately administered fund

SITA Security Shredding Limited

Notes to the financial statements for the year ended 31 December 2011

1. Accounting policies (continued)

1.8 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 at 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 exception

- 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 future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted 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 one principal activity of the collection, shredding and recycling of paper

All turnover arose within the United Kingdom

3. Operating profit

The operating profit is stated after charging

	2011 £000	2010 £000
Depreciation of tangible fixed assets		
- owned by the company	106	115
Operating lease rentals - land and buildings	25	25

During the year, no director received any emoluments (2010 - £NIL) for services to this company

For the year ended 31 December 2011 and the prior year, auditors' remuneration was borne by a fellow group company

SITA Security Shredding Limited

Notes to the financial statements for the year ended 31 December 2011

4. Staff costs

Staff costs were as follows

	2011	2010
	£000	£000
Wages and salaries	755	710
Social security costs	83	74
Other pension costs	6	4
	<u>844</u>	<u>788</u>

All employees are employed by SITA UK Limited and paid by SITA Holdings UK Limited. Costs are then recharged to the company.

The average monthly number of employees, including the directors, during the year was as follows

	2011	2010
	No.	No.
Operational	22	22
Administration & management	7	6
	<u>29</u>	<u>28</u>

5. Interest receivable

	2011	2010
	£000	£000
Interest receivable from group companies	<u>17</u>	<u>18</u>

6. Interest payable

	2011	2010
	£000	£000
On loans from group undertakings	<u>-</u>	<u>1</u>

SITA Security Shredding Limited

Notes to the financial statements for the year ended 31 December 2011

7. Taxation

	2011 £000	2010 £000
Analysis of tax charge in the year		
Current tax (see note below)		
UK corporation tax charge on profit for the year	165	194
Adjustments in respect of prior periods	-	2
Total current tax	<u>165</u>	<u>196</u>
Deferred tax		
Origination and reversal of timing differences	1	(9)
Adjustments in respect of prior periods	-	(1)
Total deferred tax (see note 12)	<u>1</u>	<u>(10)</u>
Tax on profit on ordinary activities	<u>166</u>	<u>186</u>

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2010 - *higher than*) the standard rate of corporation tax in the UK of 26.5% (2010 - 28%). The differences are explained below

	2011 £000	2010 £000
Profit on ordinary activities before tax	<u>613</u>	<u>653</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 26.5% (2010 - 28%)	162	183
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	3	-
Capital allowances for year in excess of depreciation	-	2
Utilisation of tax losses	-	9
Adjustments to tax charge in respect of prior periods	-	2
Current tax charge for the year (see note above)	<u>165</u>	<u>196</u>

Factors that may affect future tax charges

The UK corporation tax rate decreased from 28% to 26% from 1 April 2011. The impact on the current year's tax charge is shown above.

Further reductions to the UK corporation tax rate have been announced that will have an effect on future tax charges. The change in the corporation tax rate to 25% from 1 April 2012 had been enacted at the balance sheet date and the deferred tax balance has been adjusted to reflect this change (note 12). A further reduction in the rate to 24% from 1 April 2012 has now been announced but was not substantively enacted at the balance sheet date, and is therefore not recognised in these financial statements. Further announcements have also been made to reduce the rate by a further 1% per annum down to 22% from 1 April 2014.

SITA Security Shredding Limited

Notes to the financial statements for the year ended 31 December 2011

8. Tangible fixed assets

	Freehold property £000	Plant & machinery £000	Motor vehicles £000	Fixtures & fittings £000	Assets under construction £000	Total £000
Cost						
At 1 January 2011	191	984	12	55	-	1,242
Additions	-	114	-	2	482	598
Transfers intra group	-	-	(12)	-	-	(12)
Transfer between classes	(27)	27	-	-	-	-
At 31 December 2011	164	1,125	-	57	482	1,828
Depreciation						
At 1 January 2011	43	689	11	52	-	795
Charge for the year	7	95	1	3	-	106
Transfers intra group	-	-	(12)	-	-	(12)
At 31 December 2011	50	784	-	55	-	889
Net book value						
At 31 December 2011	114	341	-	2	482	939
At 31 December 2010	148	295	1	3	-	447

9. Stocks

	2011 £000	2010 £000
Raw materials	13	21

10. Debtors

	2011 £000	2010 £000
Amounts owed by group undertakings	3,324	3,424
Prepayments and accrued income	40	1
Deferred tax asset (see note 12)	13	14
	3,377	3,439

SITA Security Shredding Limited

**Notes to the financial statements
for the year ended 31 December 2011**

**11. Creditors:
Amounts falling due within one year**

	2011	2010
	£000	£000
Corporation tax	165	194
Other creditors	-	5
Accruals and deferred income	20	11
	<u>185</u>	<u>210</u>

12 Deferred tax asset

	2011	2010
	£000	£000
At beginning of year	14	4
(Charge for)/released during year	(1)	10
	<u>13</u>	<u>14</u>

The deferred tax asset is made up as follows

	2011	2010
	£000	£000
Accelerated capital allowances	<u>13</u>	<u>14</u>

13 Share capital

	2011	2010
	£000	£000
Allotted, called up and fully paid		
1,000 ordinary shares of £1 each	<u>1</u>	<u>1</u>

14. Reserves

	Profit and loss account £000
At 1 January 2011	3,696
Profit for the year	447
	<u>4,143</u>
At 31 December 2011	

SITA Security Shredding Limited

Notes to the financial statements for the year ended 31 December 2011

15. Reconciliation of movement in shareholders' funds

	2011 £000	2010 £000
Opening shareholders' funds	3,697	3,230
Profit for the year	447	467
Closing shareholders' funds	<u>4,144</u>	<u>3,697</u>

16. Capital commitments

At 31 December 2011 the company had capital commitments as follows

	2011 £000	2010 £000
Contracted for but not provided in these financial statements	<u>218</u>	<u>13</u>

17. Pension commitments

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £6,000 (2010 - £4,000).

18. Operating lease commitments

At 31 December 2011 the company had annual commitments under non-cancellable operating leases as follows

	Land and buildings	
	2011 £000	2010 £000
Expiry date:		
After more than 5 years	<u>25</u>	<u>25</u>

19. Related party transactions

Under the provisions of Financial Reporting Standard 8, the company is not required to disclose details of related party transactions with Group entities as it is a wholly owned subsidiary, and the consolidated financial statements in which the company results are included are available to the public.

SITA Security Shredding Limited

Notes to the financial statements for the year ended 31 December 2011

20. Ultimate parent undertaking and controlling party

At the year end the ultimate parent undertaking was GDF 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 GDF Suez SA, whose consolidated financial statements are available from 1 Place Samuel de Champlain, Faubourg de l'Arche, 92930 Paris la Defense, Cedex, France The smallest such group is that headed by SITA Holdings UK Limited, a company registered in England & Wales The consolidated financial statements of the SITA Holdings UK Limited Group may be obtained from SITA House, Grenfell Road, Maidenhead, Berkshire, SL6 1ES

In the opinion of the directors, SITA Holdings UK Limited controls the company as a result of controlling 100% of the issued share capital of SITA Security Shredding Limited At the year end GDF Suez SA was the ultimate controlling party, being the ultimate controlling party of SITA Holdings UK Limited