

Registered number: 03184332

**Surrey Waste Management Limited**

**Directors' report and financial statements  
For the year ended 31 December 2005**



# **Surrey Waste Management Limited**

## **Company information**

<b>Directors</b>	P-A Hjort IA Sexton J Scanlon BJ Slater
<b>Secretary</b>	G Mayes
<b>Company number</b>	03184332
<b>Registered office</b>	SITA House Grenfell Road Maidenhead Berkshire SL6 1ES
<b>Auditors</b>	Ernst & Young LLP Wessex House 19 Threefield Lane Southampton SO14 3QB

# **Surrey Waste Management Limited**

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# **Surrey Waste Management Limited**

## **Directors' report**

**For the year ended 31 December 2005**

The directors present their report and the financial statements for the year ended 31 December 2005.

### **Principal activities and review of business**

In 1999 the company was awarded a 25 year contract by the county of Surrey to manage and dispose of all municipal waste arising in the county.

The main contract for waste management for Surrey County Council is well established and is performing in line with expectations.

### **Results and dividends**

The loss for the year, after taxation, amounted to £669,000 (2004 - Profit £451,000) .

The directors do not recommend the payment of a dividend.

### **Directors**

The directors who served during the year were:

P Gillatt (resigned 31 October 2006)

P-A Hjort

J Scanlon

IA Sexton

BJ Slater

### **Additional information re directors**

No director who held office on 31 December 2005 had an interest in the company's shares either during the financial year or at 31 December 2005.

### **Land and buildings**

In the opinion of the directors there is no material difference between the book and current open market value of interests in land and

### **Events since the end of the year**

There have been no significant events requiring disclosure since the balance sheet date.

### **Statement of directors' responsibilities**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice.

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;
- 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 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.

**Surrey Waste Management Limited**

**Directors' report**  
**For the year ended 31 December 2005**

**Auditors**

The auditors, Ernst & Young LLP, are deemed to be reappointed in accordance with section 386 of the Companies Act 1985 by virtue of an elective resolution passed by the members on 7 July 2003.

This report was approved by the board on 9 November 2006 and signed on its behalf.

A handwritten signature in black ink, appearing to read 'IA Sexton', with a large, sweeping flourish at the end.

**IA Sexton**  
Director

**Independent auditors' report to the shareholders of Surrey Waste Management Limited**

We have audited the company's financial statements for the year ended 31 December 2005 which comprise the Profit and Loss Account and the Balance Sheet and the related notes 1 to 22. These financial statements have been prepared under 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 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditors**

The directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

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

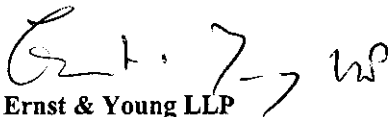
**Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Ernst & Young LLP**  
Registered Auditor  
Southampton

9 November 2006

**Surrey Waste Management Limited**

**Profit and loss account**

**For the year ended 31 December 2005**

	Note	2005 £000	2004 £000
Turnover	1, 2	28,038	29,317
Cost of sales		(24,963)	(25,020)
Gross profit		3,075	4,297
Administrative expenses		(3,072)	(3,451)
Operating profit	3	3	846
Exceptional items			
Net loss on sale of tangible fixed assets		(3)	(11)
Profit on ordinary activities before interest		-	835
Interest payable	5	(271)	(171)
(Loss)/profit on ordinary activities before taxation		(271)	664
Tax on (loss)/profit on ordinary activities	6	(398)	(213)
(Loss)/profit on ordinary activities after taxation		(669)	451

All amounts relate to continuing operations.

There were no recognised gains and losses for 2005 or 2004 other than those included in the profit and loss account.

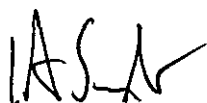
The notes on pages 6 to 15 form part of these financial statements.

**Surrey Waste Management Limited**

**Balance sheet**  
**As at 31 December 2005**

	Note	£000	2005 £000	£000	2004 £000
<b>Fixed assets</b>					
Intangible fixed assets	7		(452)		(571)
Tangible fixed assets	8		3,780		3,697
			<u>3,328</u>		<u>3,126</u>
<b>Current assets</b>					
Stocks	9	4		4	
Debtors	10	2,047		1,950	
Cash at bank		1		819	
		<u>2,052</u>		<u>2,773</u>	
Creditors: amounts falling due within one year	11	(6,651)		(6,356)	
<b>Net current liabilities</b>			<u>(4,599)</u>		<u>(3,583)</u>
<b>Total assets less current liabilities</b>			<u>(1,271)</u>		<u>(457)</u>
<b>Provisions for liabilities and charges</b>					
Other provisions	13		(1,126)		(1,271)
<b>Net liabilities</b>			<u>(2,397)</u>		<u>(1,728)</u>
<b>Capital and reserves</b>					
Called up share capital	14		-		-
Profit and loss account	15		(2,397)		(1,728)
<b>Shareholders' funds - all equity</b>	16		<u>(2,397)</u>		<u>(1,728)</u>

The financial statements were approved by the board on 9 November 2006 and signed on its behalf.



**IA Sexton**  
Director

The notes on pages 6 to 15 form part of these financial statements.



Notes to the financial statements  
For the year ended 31 December 2005

**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.

**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 FRS1.

**1.3 Turnover**

Turnover comprises amounts receivable for goods and services supplied by the company, exclusive of Value Added Tax and trade discounts, but inclusive of Landfill Tax.

**1.4 Negative goodwill**

Negative goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the identifiable assets and liabilities acquired over the fair value of the consideration given, is included in the balance sheet and is credited to the profit and loss account in the periods in which the acquired non-monetary assets are recovered during depreciation or sale. Negative goodwill in excess of the fair values of the non-monetary assets acquired is credited to the profit and loss account in the periods expected to benefit, being 10 years.

**1.5 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 - landfill	-	On the basis of airspace used
Short leasehold property	-	Lease term, straight-line basis
Landfill engineering	-	On the basis of airspace used
Plant & machinery	-	3 - 10 years straight line
Fixtures & fittings	-	3 - 5 years straight line
Construction in progress	-	On completion of asset

**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.

Notes to the financial statements  
For the year ended 31 December 2005

**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 substantially 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 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 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.

**1.8 Provisions for environmental and landfill costs and landfill gas revenues**

Provisions for environmental and landfill costs include provisions associated with the closure and post-closure of landfill sites. The company estimates its total future requirements for closure costs and for post-closure monitoring and maintenance of the site after the anticipated closure. The provisions include final capping of the site, site inspection, ground water monitoring, leachate management, methane gas control and recovery, and the operation and maintenance costs to be confirmed during the period after the site closes. Certain of these costs, principally capping costs, are incurred during the operating life of the site. The company provides for closure and post-closure costs as the permitted airspace is used, however in accordance with Financial Reporting Standard 12 "Provisions, Contingent Liabilities and Contingent Assets", full provision has been made for the company's minimum unavoidable costs.

Post-closure provisions have been shown at net present value. The current cost estimated has been inflated at 2.00% and discounted by 5.47%. The discount element is shown in the financial statements as a financial item.

Revenues from the generation of electricity from landfill gas during the post-closure period, where contracts are in place for its sale, are capitalised as a fixed asset and discounted in line with the post-closure provision.

**1.9 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.

The company participates in a SITA Group defined benefit pension scheme. This is a multi-employer scheme, the assets and liabilities of which are held independently from the group. The company is unable to identify its share of the underlying assets and liabilities of the scheme and accordingly accounts for the scheme as if it were a defined contribution scheme.

**2. Turnover**

The whole of the turnover is attributable to the one principal activity of the company being the extraction of minerals.

All turnover arose within the United Kingdom.

Notes to the financial statements  
For the year ended 31 December 2005

3. Operating profit

The operating profit is stated after charging:

	2005	2004
	£000	£000
Amortisation - intangible fixed assets	(119)	(119)
Depreciation of tangible fixed assets:		
- owned by the company	246	289
Auditors' remuneration	-	14
	<u>227</u>	<u>174</u>

During the year, no director received any remuneration in respect of his services as director of the company (2004 - £nil).

4. Staff costs

Staff costs were as follows:

	2005	2004
	£000	£000
Wages and salaries	1,972	1,839
Social security costs	184	184
Other pension costs	93	106
	<u>2,249</u>	<u>2,129</u>

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

	2005	2004
Operational	92	90
Administrative and management	17	15
	<u>109</u>	<u>105</u>

5. Interest payable

	2005	2004
	£000	£000
On loans from group undertakings	233	132
Discount on provisions	38	39
	<u>271</u>	<u>171</u>

Notes to the financial statements  
For the year ended 31 December 2005

6. Taxation

	2005 £000	2004 £000
<b>Analysis of tax charge in year</b>		
<b>Current tax</b> (see note below)		
UK corporation tax charge on profits of the year	304	388
Adjustments in respect of prior periods	11	(82)
<b>Total current tax</b>	<b>315</b>	<b>306</b>
<b>Deferred tax</b>		
Origination and reversal of timing differences	62	(42)
Adjustments in respect of prior periods	21	(51)
<b>Total deferred tax</b> (see note 12)	<b>83</b>	<b>(93)</b>
<b>Tax on profit on ordinary activities</b>	<b>398</b>	<b>213</b>

**Factors affecting tax charge for year**

The tax assessed for the year is higher than the standard rate of corporation tax in the UK applicable to the company (30%). The differences are explained below:

	2005 £000	2004 £000
(Loss)/profit on ordinary activities before tax	(271)	664
(Loss)/profit on ordinary activities multiplied by the relevant standard rate of corporation tax in the UK of 30% (2004 - 30%)	(81)	199
<b>Effects of:</b>		
Expenses not deductible for tax purposes	447	156
Capital allowances for period in excess of depreciation	(34)	11
Adjustments to tax charge in respect of prior periods	11	(82)
Other timing differences	(28)	31
Discount received on group relief payment	-	(9)
<b>Current tax charge for year</b> (see note above)	<b>315</b>	<b>306</b>

There were no factors that may affect future tax charges.

Notes to the financial statements  
For the year ended 31 December 2005

7. Intangible fixed assets

	Goodwill £000
<b>Cost</b>	
At 1 January 2005 and 31 December 2005	(1,185)
<b>Amortisation</b>	
At 1 January 2005	(614)
Charge for the year	(119)
At 31 December 2005	(733)
<b>Net book value</b>	
At 31 December 2005	(452)
<i>At 31 December 2004</i>	<i>(571)</i>

The negative goodwill arose in 1999 on valuation of the assets acquired from Surrey County Council under the terms of the company's contract for waste disposal.

Surrey Waste Management Limited

Notes to the financial statements  
For the year ended 31 December 2005

8. Tangible fixed assets

	Freehold property - landfill £000	Short leasehold property £000	Landfill engineering £000	Plant & machinery £000	Fixtures & fittings £000	Constructio n in progress £000	Total £000
<b>Cost</b>							
At 1 January 2005	675	2,672	832	822	87	672	5,760
Additions	-	-	-	240	-	119	359
Transfers intra group	-	-	-	9	(69)	-	(60)
Disposals	-	(5)	-	(20)	(8)	-	(33)
Transfer between classes	-	771	-	-	-	(771)	-
At 31 December 2005	675	3,438	832	1,051	10	20	6,026
<b>Depreciation</b>							
At 1 January 2005	675	278	832	226	52	-	2,063
Charge for the year	-	149	-	95	2	-	246
Transfers intra group	-	-	-	7	(42)	-	(35)
On disposals	-	(2)	-	(20)	(6)	-	(28)
At 31 December 2005	675	425	832	308	6	-	2,246
<b>Net book value</b>							
At 31 December 2005	-	3,013	-	743	4	20	3,780
At 31 December 2004	-	2,394	-	596	35	672	3,697

**Surrey Waste Management Limited**

**Notes to the financial statements  
For the year ended 31 December 2005**

**9. Stocks**

	<b>2005</b>	<b>2004</b>
	<b>£000</b>	<b>£000</b>
Raw materials	<u>4</u>	<u>4</u>

The difference between purchase price or production cost of stocks and their replacement cost is not material.

**10. Debtors**

	<b>2005</b>	<b>2004</b>
	<b>£000</b>	<b>£000</b>
Other debtors	-	3
Prepayments and accrued income	1,893	1,710
Deferred tax asset (see note 12)	154	237
	<u>2,047</u>	<u>1,950</u>

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

	<b>2005</b>	<b>2004</b>
	<b>£000</b>	<b>£000</b>
Amounts owed to group undertakings	4,142	2,917
Corporation tax	315	388
Other creditors	277	795
Accruals and deferred income	1,917	2,256
	<u>6,651</u>	<u>6,356</u>

**12. Deferred taxation**

	<b>2005</b>	<b>2004</b>
	<b>£000</b>	<b>£000</b>
At start of year	237	144
(Charge for)/released during the year	(83)	93
	<u>154</u>	<u>237</u>

**Surrey Waste Management Limited**

**Notes to the financial statements  
For the year ended 31 December 2005**

**12. Deferred tax (continued)**

The deferred tax asset is made up as follows:

	2005 £000	2004 £000
Accelerated capital allowances	-	55
Other timing differences	154	182
	<u>154</u>	<u>237</u>

**13. Provisions**

	Environmental and landfill costs £000
At 1 January 2005	1,271
Additions	147
Amounts used	(330)
Discounted adjustments	38
	<u>1,126</u>
At 31 December 2005	

**Environmental and landfill costs**

The provision for environmental and landfill costs has been calculated in accordance with the accounting policy set out in note 1.

**14. Share capital**

	2005 £	2004 £
Authorised, allotted, called up and fully paid		
1 ordinary shares of £1 each	<u>1</u>	<u>1</u>

**15. Reserves**

	£000
Profit and loss account	
At 1 January 2005	(1,728)
Loss for the year	(669)
	<u>(2,397)</u>
At 31 December 2005	



**Surrey Waste Management Limited**

**Notes to the financial statements  
For the year ended 31 December 2005**

**16. Reconciliation of movement in shareholders' funds**

	<b>2005</b>	<b>2004</b>
	<b>£000</b>	<b>£000</b>
(Loss)/profit for the year	(669)	451
	<hr/>	<hr/>
	(669)	451
Opening shareholders' funds	(1,728)	(2,179)
	<hr/>	<hr/>
Closing shareholders' funds	(2,397)	(1,728)
	<hr/>	<hr/>

**17. Contingent liabilities**

The company had in issue at the year end performance bonds totalling £62,000 (2004 - £nil).

**18. Capital commitments**

At 31 December 2005 the company had capital commitments as follows:

	<b>2005</b>	<b>2004</b>
	<b>£000</b>	<b>£000</b>
Contracted for but not provided in these financial statements	7	117
	<hr/>	<hr/>

**19. Pension commitments**

The company participates in a group defined benefit pension scheme. This is a multi-employer scheme, the assets and liabilities of which are held independently from the group. The company has adopted FRS 17 this year. The company is unable to identify its share of the underlying assets and liabilities of the scheme and has taken advantage of the exemption within FRS 17 to account for the scheme as it if were a defined contribution scheme.

Contributions to the scheme for the period were £73,000 and the agreed contribution rate for the next 12 months is 19.5%.

As stated in the SITA Holdings UK Limited Group financial statements for the year ended 31 December 2005, the valuation used for accounting under FRS 17 have been based on the most recent actuarial valuations at 6 April 2004, updated to 31 December 2005.

# Surrey Waste Management Limited

## Notes to the financial statements For the year ended 31 December 2005

### 18. Pension commitments (continued)

The assets in the scheme and the expected rates of return were:

	Long-term rate of return expected at 31 December 2005 %	Value at 31 December 2005 £000	Long- term rate of return expected at 31 December 2004 %	Value at 31 December 2004 £000	Long- term rate of return expected at 31 December 2004 %	Value at 31 December 2004 £000
Equities	7.0	5,945	8.5	4,288	7.0	3,166
Bonds	4.2	468	5.0	543	5.3	490
Property	5.3	67	7.0	51	5.7	54
Other	3.0	309	3.0	246	3.5	151
Total market value of assets		6,789		5,128		3,861
Present value of scheme liabilities		(10,581)		(7,818)		(6,206)
Deficit in the scheme		(3,792)		(2,690)		(2,345)
Related deferred tax liability		1,138		807		704
Net pension liability		(2,654)		(1,883)		(1,641)

### 20. 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 financials statements in which the company results are included are available to the public.

### 21. Post balance sheet events

There have been no significant events requiring disclosure since the balance sheet date.

### 22. Ultimate parent undertaking and Controlling party

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

The largest group of which Surrey Waste Management Limited is a member and for which group financial statements are drawn up is that headed by Suez SA, whose consolidated financial statements are available from 16 Rue de la Ville L'Eveque, Paris, 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 Surrey Waste Management Limited. Suez SA is the ultimate controlling party, being the ultimate controlling party of SITA Holdings UK Limited.