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**SURREY WASTE MANAGEMENT LIMITED**

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**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**31 DECEMBER 2001**

**Registered Number: 03184332**



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COMPANIES HOUSE

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# **SURREY WASTE MANAGEMENT LIMITED**

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## **Company Information**

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<b>Directors</b>	IF Goodfellow M Gordon D Hespe IA Sexton
<b>Secretary</b>	EJG Cooper
<b>Company Number</b>	03184332
<b>Registered Office</b>	The Pickeridge Stoke Common Road Fulmer Buckinghamshire SL3 6HA
<b>Auditors</b>	Arthur Andersen 180 Strand London WC2R 1BL

# **SURREY WASTE MANAGEMENT LIMITED**

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DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2001

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The directors present their annual report on the affairs of the company, together with the financial statements and auditors' report for the year ended 31 December 2001.

**Principal activities**

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.

**Business review**

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 £2,114,000 (2000 - loss of £1,177,000) .

The directors do not recommend the payment of a dividend (2000 - £nil) and the loss for the year after taxation will be deducted from reserves.

**Directors**

The directors who served during the year were as follows :

IF Goodfellow

M Gordon

D Hespé

JF Leaver (resigned 2 March 2001)

RA Searby (resigned 2 March 2001)

IA Sexton (appointed 2 March 2001)

SJ Thorne (resigned 30 June 2001)

No director who held office on 31 December 2001 had an interest in the company's shares either during the financial year or at 31 December 2001.

The interests of the directors who held office on 31 December 2001 in the ordinary shares of the ultimate parent company, Suez SA are reported in the Directors' Report and Accounts of the company's holding company, SITA (GB) Limited, for the year ended 31 December 2001.

**Fixed assets**

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

**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 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.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2001

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This report was approved by the board on 26 July 2002 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'IA Sexton', is positioned above the printed name.

IA Sexton  
Director

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF  
SURREY WASTE MANAGEMENT LIMITED**

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We have audited the financial statements of Surrey Waste Management Limited for the year ended 31 December 2001 which comprise the Profit and Loss account, Balance Sheet and the related notes numbered 1 to 19. These financial statements have been prepared under the accounting policies set out therein.

**Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are 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 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 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 your 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.

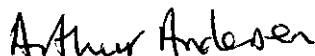
**Basis of opinion**

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 circumstances of the company, 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 the company's affairs at 31 December 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Arthur Andersen**

**Chartered Accountants and Registered Auditors**

180 Strand  
London  
WC2R 1BL

26 July 2002

**SURREY WASTE MANAGEMENT LIMITED**

**PROFIT AND LOSS ACCOUNT**  
For the year ended 31 December 2001

	Note	2001 £'000	2000 £'000
<b>TURNOVER</b>	1,2	<b>21,524</b>	<i>18,065</i>
Cost of sales	7	<b>(21,482)</b>	<i>(16,586)</i>
<b>GROSS PROFIT</b>		<b>42</b>	<i>1,479</i>
Administrative expenses		<b>(1,769)</b>	<i>(2,886)</i>
<b>OPERATING LOSS</b>		<b>(1,727)</b>	<i>(1,407)</i>
Interest payable	5	<b>(22)</b>	<i>(18)</i>
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	3	<b>(1,749)</b>	<i>(1,425)</i>
TAXATION ON LOSS ON ORDINARY ACTIVITIES	6	<b>(365)</b>	<i>248</i>
<b>LOSS FOR THE YEAR</b>		<b>(2,114)</b>	<i>(1,177)</i>
<b>PROFIT AND LOSS ACCOUNT BROUGHT FORWARD</b>		<b>(1,435)</b>	<i>(258)</i>
<b>PROFIT AND LOSS ACCOUNT CARRIED FORWARD</b>		<b>(3,549)</b>	<i>(1,435)</i>

All activities relate to continuing operations.

There were no recognised gains and losses for 2001 or 2000 other than those included in the profit and loss account.

The notes on pages 6 to 13 form an integral part of these financial statements.

**SURREY WASTE MANAGEMENT LIMITED**

**BALANCE SHEET**  
**As at 31 December 2001**

	<b>Note</b>	<b>2001 £'000</b>	<b>2000 £'000</b>
<b>FIXED ASSETS</b>			
Negative goodwill	8	(922)	(1,039)
Tangible fixed assets	9	2,433	3,316
		<u>1,511</u>	<u>2,277</u>
<b>CURRENT ASSETS</b>			
Debtors	10	1,513	3,819
Cash at bank and in hand		2,136	41
		<u>3,649</u>	<u>3,860</u>
<b>CREDITORS: amounts falling due within one year</b>	11	<b>(8,096)</b>	<b>(6,899)</b>
<b>NET CURRENT LIABILITIES</b>		<b>(4,447)</b>	<b>(3,039)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>(2,936)</b>	<b>(762)</b>
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>			
	12	(613)	(673)
<b>NET LIABILITIES</b>		<b>(3,549)</b>	<b>(1,435)</b>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	13	-	-
Profit and loss account		(3,549)	(1,435)
<b>EQUITY SHAREHOLDERS' DEFICIT</b>	14	<b>(3,549)</b>	<b>(1,435)</b>

The financial statements were approved by the board on 26 July 2002 and signed on its behalf by:



IA Sexton

Director

The notes on pages 6 to 13 form an integral part of these financial statements.



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NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 December 2001

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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

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

The company is exempt from the requirement 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.

At 31 December 2001 the company had net liabilities of £3,549,000 (2000 - £1,435,000). The directors are of the opinion that the going concern basis continues to be the appropriate basis for the preparation of the financial statements as a fellow group undertaking has confirmed its intention and ability to provide such financial support as may be necessary to enable the company to continue to operate as a going concern and to meet all of its obligations in full for the next twelve months from the date of approval of these financial statements. The company's parent company has also confirmed that the company will not be required to pay amounts due to other group undertakings unless the company has sufficient funds to pay other creditors in full.

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 sales related taxes, but inclusive of Landfill Tax.

1.3 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 through 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.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation of fixed assets, less estimated residual value, of each asset over their expected useful lives on the following basis:

Freehold property - landfill	On the basis of airspace used and minerals extracted
Construction in progress	On completion of the asset
Landfill and quarry engineering	On the basis of airspace used
Plant & machinery	3 - 15 years, straight-line basis
Vehicles	3 - 15 years, straight-line basis
Fixtures & fittings	3 - 15 years, straight-line basis

The Option payment relates to an option to purchase freehold land, and therefore was not depreciated in the prior year. In the current year, following the lapse of the option an impairment review was undertaken and the value of the option was written down to £nil.

Residual value is calculated on prices prevailing at the date of acquisition.

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2001

**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.

**1.6 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 taxation is provided using the liability method on all timing differences only to the extent that they are expected to reverse in the future without being replaced, except that the deferred tax effects of timing differences arising from pensions and other post-retirement benefits are always recognised in full.

**1.7 Pensions**

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

**1.8 Provisions for environmental and landfill costs**

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 each 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 operation and maintenance costs to be confirmed during the period after the site closes, net of future revenues from the generation of electricity from landfill gas. 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% and discounted by 6%. The inflation and discount elements are shown in the financial statements as a financial item.

**2. TURNOVER**

The whole of the turnover is attributable to the one principal activity of the company being the management and disposal of all municipal waste arising in the county of Surrey under a 25 year contract.

All turnover arose within the United Kingdom.

**3. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION**

Loss on ordinary activities before taxation is stated after charging/(crediting):

	2001	2000
	£'000	£'000
Write back of negative goodwill	(117)	(117)
Depreciation of tangible fixed assets		
- owned by the company	993	614
- impairment loss (note 7)	1,775	-
Operating lease rentals		
- hire of plant & machinery	98	43
- other	32	19

No director received any emoluments with respect to their services as directors of the company (2000 - £Nil).

The audit fees for the current and prior years have been borne by SITA Holdings UK Limited.

**SURREY WASTE MANAGEMENT LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2001

**4. STAFF COSTS**

Staff costs were as follows:

	2001 £'000	2000 £'000
Wages and salaries	1,521	1,365
Social security costs	126	105
Other pension costs	68	77
	<u>1,715</u>	<u>1,547</u>

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

	2001 No.	2000 No.
Administration and management	17	19
Operations	67	68
	<u>84</u>	<u>87</u>

**5. INTEREST PAYABLE & SIMILAR CHARGES**

	2001 £'000	2000 £'000
Discount on provisions (note 12)	22	18
	<u>22</u>	<u>18</u>

**6. TAXATION**

	2001 £'000	2000 £'000
<b>Current year taxation</b>		
UK Corporation Tax	365	(204)
<b>Prior years</b>		
UK corporation tax	-	(44)
	<u>365</u>	<u>(248)</u>

**7. IMPAIRMENT LOSS**

The option to purchase the Copyhold land lapsed in 2001. The option payment capitalised of £1,775,000 was written off during the year.

**SURREY WASTE MANAGEMENT LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2001**

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**8. NEGATIVE GOODWILL**

	Negative goodwill £'000
<b>Cost</b>	
At 1 January 2001	(1,185)
At 31 December 2001	<u>(1,185)</u>
<b>Amortisation</b>	
At 1 January 2001	146
Write back for year	117
At 31 December 2001	<u>263</u>
<b>Net Book Value</b>	
At 31 December 2001	<u>(922)</u>
<i>At 31 December 2000</i>	<u><u>(1,039)</u></u>

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2001

**9. TANGIBLE FIXED ASSETS**

	Freehold property - mineral and landfill £ '000	Construction in progress £ '000	Landfill & quarry engineering £ '000	Plant & machinery £ '000	Vehicles £ '000	Fixtures & fittings £ '000	Option payment £ '000	Total £ '000
<b>Cost</b>								
At 1 January 2001	675	-	578	500	438	341	1,775	4,307
Reclassifications	-	189	(189)	-	-	-	-	-
Additions	-	1,301	377	120	32	55	-	1,885
Disposals	-	-	-	-	-	-	(1,775)	(1,775)
At 31 December 2001	<u>675</u>	<u>1,490</u>	<u>766</u>	<u>620</u>	<u>470</u>	<u>396</u>	<u>-</u>	<u>4,417</u>
<b>Depreciation</b>								
At 1 January 2001	355	-	-	283	88	265	-	991
Charge for the year	210	-	606	64	56	57	-	993
Exceptional depreciation	-	-	-	-	-	-	1,775	1,775
Disposals	-	-	-	-	-	-	(1,775)	(1,775)
At 31 December 2001	<u>565</u>	<u>-</u>	<u>606</u>	<u>347</u>	<u>144</u>	<u>322</u>	<u>-</u>	<u>1,984</u>
<b>Net book value</b>								
At 31 December 2001	<u>110</u>	<u>1,490</u>	<u>160</u>	<u>273</u>	<u>326</u>	<u>74</u>	<u>-</u>	<u>2,433</u>
At 31 December 2000	<u>320</u>	<u>-</u>	<u>578</u>	<u>217</u>	<u>350</u>	<u>76</u>	<u>1,775</u>	<u>3,316</u>

**SURREY WASTE MANAGEMENT LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2001**

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**10. DEBTORS**

	<b>2001</b>	<b>2000</b>
	<b>£'000</b>	<b>£'000</b>
<b>Amounts receivable within one year</b>		
Amounts owed by group undertakings	-	1,950
Corporation tax recoverable	-	204
Other debtors	21	1,495
Prepayments and accrued income	1,492	170
	<u>1,513</u>	<u>3,819</u>

**11. CREDITORS:**

<b>Amounts falling due within one year</b>		
	<b>2001</b>	<b>2000</b>
	<b>£'000</b>	<b>£'000</b>
Trade creditors	2	85
Amounts owed to group undertakings	5,178	2,538
Corporation tax	365	-
Social security and other taxes	63	926
Other creditors	101	1,217
Accruals and deferred income	2,387	2,133
	<u>8,096</u>	<u>6,899</u>

**SURREY WASTE MANAGEMENT LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2001

**12. PROVISIONS FOR LIABILITIES AND CHARGES**

	Site restoration and maintenance £ '000
At 1 January 2001	673
Credited to profit and loss account	(82)
Adjustment arising from discounting (note 5)	22
At 31 December 2001	<u>613</u>

*Site restoration and maintenance*

The provision for site restoration and maintenance has been calculated in accordance with the accounting policy set out in note 1.8.

*Deferred taxation*

Deferred taxation provided and deferred taxation not provided are as follows:

	Deferred tax liability/(asset) provided		Full potential liability/(asset)	
	2001 £ '000	2000 £ '000	2001 £ '000	2000 £ '000
Accelerated capital allowances	-	-	(28)	(9)
Other timing differences	-	-	(241)	(110)
	<u>-</u>	<u>-</u>	<u>(269)</u>	<u>(119)</u>

**13. CALLED UP SHARE CAPITAL**

	2001 £	2000 £
Authorised, allotted, called up and fully paid		
1 ordinary share of £1 each	<u>1</u>	<u>1</u>

**14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	2001 £'000	2000 £'000
Loss for the year	(2,114)	(1,177)
Opening shareholders' deficit	<u>(1,435)</u>	<u>(258)</u>
Closing shareholders' deficit	<u>(3,549)</u>	<u>(1,435)</u>

**15. CONTINGENT LIABILITIES**

The company is party to a cross-guarantee arrangement with other group companies in respect of bank overdrafts. The potential liability outstanding at 31 December 2001 was £13,057,000 (2000 - £19,173,000).

The company had in issue at the year end performance bonds totalling £412,000 (2000 - £396,000).

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2001**

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**16. PENSION COMMITMENTS**

The company operates a defined contribution scheme for which the pension cost charge for the year amounted to £68,000 (2000 - £77,000). At the year end contributions totalling £6,000 (2000 - £6,000) were outstanding.

**17. RELATED PARTIES**

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's results are included are available to the public.

**18. CONTROLLING PARTY**

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.

**19. PARENT COMPANY**

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 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 the SITA Holdings UK Limited Group may be obtained from The Pickeridge, Stoke Common Road, Fulmer, Buckinghamshire, SL3 6HA.