
SITA (KIRKLEES) LIMITED
(formerly Kirklees Waste Services Limited)

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



SITA (KIRKLEES) LIMITED

COMPANY INFORMATION

DIRECTORS	PJ Gillatt IA Sexton DP Sheard P-A Hjort LD Wild
SECRETARY	G Mayes
COMPANY NUMBER	3497105
REGISTERED OFFICE	SITA House Grenfell Road Maidenhead Berkshire SL6 1ES
AUDITORS	Ernst & Young LLP 1 More London Place London SE1 2AF

SITA (KIRKLEES) LIMITED

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SITA (KIRKLEES) LIMITED

DIRECTORS' REPORT For the year ended 31 December 2002

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

CHANGE OF NAME

On 3 February 2002, the company changed its name from Kirklees Waste Services Limited to SITA (Kirklees) Limited.

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS

The company is engaged in the waste management business encompassing waste disposal collection and ancillary services.

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

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £201,000 (*2001 - restated loss - £337,000*) .

The directors do not recommend the payment of a dividend (*2001 - £Nil*).

DIRECTORS

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

TW Bradley (resigned 20 December 2002)

P Catlin (resigned 8 February 2002)

PJ Gillatt (appointed 7 January 2002)

IF Goodfellow (resigned 31 May 2003)

P-A Hjort (appointed 31 May 2003)

PA Neill (resigned 8 January 2002)

DP Sheard

IA Sexton

LD Wild (appointed 8 August 2002)

P Taylor (resigned 30 June 2002)

RJ Wheatley (resigned 31 May 2002)

SITA (KIRKLEES) LIMITED

DIRECTORS' REPORT For the year ended 31 December 2002

No director 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 directors who held office on 31 December 2002 held the following options over ordinary shares of Euro 10 each in Suez SA, the group's ultimate parent company:

1 January 2002 or date		31 December 2002	
	of appointment	Granted	
Name of director	Number	Number	Number
P Gillatt	-	3,650	3,650

The interests of IF Goodfellow and IA Sexton in the shares of the ultimate parent company, Suez SA are reported in the Directors' Report and Financial Statements of the company's UK holding company, SITA Holdings UK Limited, for the year ended 31 December 2002.

All other directors at the year end do not have interests in Suez SA.

DIRECTORS' REPORT
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.

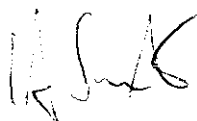
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

On 7 July 2003 Deloitte & Touche resigned as auditors and Ernst & Young LLP were appointed to fill a casual vacancy arising.

A resolution to re-appoint Ernst & Young LLP was put to the members at the Annual General Meeting.

This report was approved by the board on 12 December 2003 and signed on its behalf by:



IA Sexton
Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SITA (KIRKLEES) LIMITED

We have audited the company's financial statements for the year ended 31 December 2002 which comprises the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 23. 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 the 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 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 loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP

Registered Auditors
London

12 December 2003

SITA (KIRKLEES) LIMITED

PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2002

		2002	(restated) 2001
	Note	£000	£000
TURNOVER	2	10,966	8,443
Cost of sales		(7,972)	(7,597)
GROSS PROFIT		<u>2,994</u>	<u>846</u>
Administrative expenses		(1,619)	(517)
Other operating income	3	<u>404</u>	<u>316</u>
OPERATING PROFIT	4	<u>1,779</u>	<u>645</u>
Interest receivable		26	20
Interest payable	7	<u>(2,300)</u>	<u>(26)</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>(495)</u>	<u>639</u>
TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES	8	<u>294</u>	<u>(976)</u>
RETAINED LOSS ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE YEAR		<u><u>(201)</u></u>	<u><u>(337)</u></u>

All amounts relate to continuing operations.

The notes on pages 8 to 21 form an integral part of these financial statements.

SITA (KIRKLEES) LIMITED

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

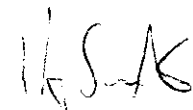
	2002 £000	<i>(restated)</i> 2001 £000
LOSS FOR THE FINANCIAL YEAR	(201)	(337)
Restatement of deferred tax under FRS 19	891	-
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR	690	(337)

SITA (KIRKLEES) LIMITED

BALANCE SHEET
As at 31 December 2002

	Note	£000	2002 £000	£000	(restated) 2001 £000
FIXED ASSETS					
Tangible fixed assets	9		44,158		43,457
CURRENT ASSETS					
Debtors	10	5,029		3,385	
Cash at bank and in hand		828		21	
		<u>5,857</u>		<u>3,406</u>	
CREDITORS: amounts falling due within one year	11	<u>(39,473)</u>		<u>(9,122)</u>	
NET CURRENT LIABILITIES			<u>(33,616)</u>		<u>(5,716)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			10,542		37,741
CREDITORS: amounts falling due after more than one year	12		-		(26,310)
PROVISIONS FOR LIABILITIES AND CHARGES					
Deferred taxation	13	(492)		(956)	
Other provisions	14	<u>(835)</u>		<u>(1,059)</u>	
			<u>(1,327)</u>		<u>(2,015)</u>
NET ASSETS			<u>9,215</u>		<u>9,416</u>
CAPITAL AND RESERVES					
Called up share capital	15		8,839		8,839
Profit and loss account	16		<u>376</u>		<u>577</u>
SHAREHOLDERS' FUNDS - All Equity	17		<u>9,215</u>		<u>9,416</u>

The financial statements were approved by the board on 12 December 2003 and signed on its behalf.



IA Sexton
Director

The notes on pages 8 to 21 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 of 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 subsidiary undertaking, where more than 90% of the voting rights are controlled within a group, 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 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 for the company. Shareholder's funds at 1 January 2001 have been increased by £1,593,000 and the tax charge for the year ended 31 December 2001 has been increased by £702,000. The provision for deferred tax has been reduced by £891,000 at 31 December 2001. It is not possible to quantify the effect on the tax charge for the current year as a result of the change in accounting policy.

The transitional disclosures of FRS 17 have been made, these and the major assumptions used in calculating these figures are disclosed in note 19 to the financial statements.

At 31 December 2002 the company had net current liabilities of £33,616,000 (2001 - £5,716,000). 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 its intermediate parent 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 at least twelve months from the approval date of these financial statements. The company's intermediate parent undertaking 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 Value Added Tax and trade discounts, but inclusive of Landfill Tax.

1.3 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:

Short leasehold land and buildings	-	over unexpired term of the lease
Landfill sites	-	amortised on basis of airspace utilised
Plant, machinery and equipment	-	5 - 21 years on a straight-line basis
Office furniture and equipment	-	5 - 10 years on a straight-line basis

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

1. ACCOUNTING POLICIES (continued)

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 as incurred.

1.6 Capitalisation of finance costs

The interest and finance costs attributable to the financing of separately identifiable major capital projects prior to their date of completion are capitalised and depreciated over the useful economic life of the project.

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.

1.8 Pensions

For defined benefit schemes the amount charged to the profit and loss account in respect of pension costs is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from the cost. The regular cost is calculated so that it represents a substantially level percentage of current and future payroll. Variations from the regular cost are charged or credited to the profit and loss account as a constant percentage of payroll over the estimated average remaining working life of scheme members. Defined benefit schemes are funded, with the assets of the scheme held separately from those of the group in separate trustee administered funds. Differences between amounts charged to the profit and loss account and amounts funded are shown as either provisions or prepayments in the balance sheet.

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs 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.

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

1. ACCOUNTING POLICIES (continued)**1.9 Provision for site restoration and maintenance and landfill gas revenues**

The provision for site restoration and maintenance includes 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 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 as the permitted airspace is used, however in accordance with FRS 12, 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 discount element is shown in the financial statements as a financial item.

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

2. TURNOVER

The whole of the turnover is attributable to the company's principal activity of waste disposal, collection and ancillary services.

All turnover arose on services provided in the United Kingdom.

3. OTHER OPERATING INCOME

	2002	2001
	£000	£000
Sundry income	404	316
	<u> </u>	<u> </u>

4. OPERATING PROFIT

The operating profit is stated after charging:

	2002	2001
	£000	£000
Depreciation of tangible fixed assets:		
- owned by the company	2,274	1,387
- held under finance leases	4	10
Auditors' remuneration in respect of audit services	-	11
Operating lease rentals:		
- plant and machinery	-	330
	<u> </u>	<u> </u>

The auditors' remuneration for the current year has been borne by the company's UK holding company, SITA Holdings UK Limited.

SITA (KIRKLEES) LIMITED

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

5. STAFF COSTS

Staff costs were as follows:

	2002 £000	2001 £000
Wages and salaries	1,538	1,248
Social security costs	122	93
Other pension costs	100	70
	<u>1,760</u>	<u>1,411</u>

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

	2002	2001
Direct operatives	59	48
Administration and management	6	11
	<u>65</u>	<u>59</u>

6. DIRECTORS' REMUNERATION

	2002 £000	2001 £000
Emoluments	-	57

During the year retirement benefits were accruing to no directors (2001 - 1) in respect of defined benefit pension schemes.

No director received any emoluments in the current year with respect to their services as director of the company.

7. INTEREST PAYABLE

	2002 £000	2001 £000
Bank loans and overdrafts	2,270	3
Unwinding discount on provisions	29	23
Finance leases and hire purchase contracts	1	-
	<u>2,300</u>	<u>26</u>

SITA (KIRKLEES) LIMITED

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

8. TAXATION ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

(a) Tax on (loss)/profit on ordinary activities

The tax charge is made up as follows:

	2002 £000	2001 £000
Current tax		
UK corporation tax	(1,253)	(1,076)
Tax underprovided in previous years	1,423	842
Total current tax	<u>170</u>	<u>(234)</u>
Deferred tax		
Origination and reversal of timing differences	(587)	1,944
Decrease/(increase) in discount	123	(734)
Deferred tax (note 13)	<u>(464)</u>	<u>1,210</u>
Tax on profit on ordinary activities	<u>(294)</u>	<u>976</u>

(b) Factors affecting current tax charge

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

	2002 £'000	2001 £'000
(Loss)/profit on ordinary activities before tax	<u>(495)</u>	<u>639</u>
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2001 - 30%)	(149)	192
Expenses not deductible for tax purposes	11	676
Accelerated capital allowances	(1,033)	(2,093)
Tax underprovided in previous years	1,423	842
Other timing differences	(82)	149
Total current tax	<u>170</u>	<u>(234)</u>

SITA (KIRKLEES) LIMITED

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

8. TAXATION ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES (continued)

(c) Deferred tax

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

	2002 £'000	2001 £'000
Included in deferred tax (note 13)	(492)	(956)
	<u>(492)</u>	<u>(956)</u>
Comprising:		
Accelerated capital allowances	(3,615)	(2,543)
Tax losses carried forward	1,744	-
Other timing differences	64	149
	<u>(1,807)</u>	<u>(2,394)</u>
Discount	1,315	1,438
	<u>(492)</u>	<u>(956)</u>
		£'000
At 1 January 2002 as previously reported		(1,847)
Prior year adjustment on adoption of FRS 19		891
		<u>(956)</u>
At 1 January 2002 as restated		(956)
Deferred tax charge in the profit and loss account		464
		<u>(492)</u>
At 31 December 2002		<u>(492)</u>

SITA (KIRKLEES) LIMITED

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

9. TANGIBLE FIXED ASSETS

	Short-term leasehold land and buildings £000	Landfill sites £000	Plant, machinery and equipment £000	Office furniture and equipment £000	Total £000
Cost					
At 1 January 2002	41,406	3,717	344	159	45,626
Reclassifications	(22,839)	-	22,998	(159)	-
Additions	-	95	2,884	-	2,979
At 31 December 2002	<u>18,567</u>	<u>3,812</u>	<u>26,226</u>	<u>-</u>	<u>48,605</u>
Depreciation					
At 1 January 2002	515	1,432	146	76	2,169
Reclassifications	-	-	76	(76)	-
Charge for the year	826	228	1,224	-	2,278
At 31 December 2002	<u>1,341</u>	<u>1,660</u>	<u>1,446</u>	<u>-</u>	<u>4,447</u>
Net book value					
At 31 December 2002	<u>17,226</u>	<u>2,152</u>	<u>24,780</u>	<u>-</u>	<u>44,158</u>
At 31 December 2001	<u>18,052</u>	<u>2,285</u>	<u>198</u>	<u>83</u>	<u>43,457</u>

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

	2002 £000	2001 £000
Plant, machinery and equipment	<u>6</u>	<u>10</u>

SITA (KIRKLEES) LIMITED

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

9. TANGIBLE FIXED ASSETS (continued)

Included within the cost of land and buildings is capitalised interest and finance costs totalling £1,679,000 (2001 - £1,679,000).

10. DEBTORS

	2002	2001
	£000	£000
Due within one year		
Trade debtors	1,965	983
Other debtors	16	-
Prepayments and accrued income	1,896	1,080
Group relief recoverable	1,152	1,322
	<u>5,029</u>	<u>3,385</u>

11. CREDITORS:

Amounts falling due within one year

	2002	2001
	£000	£000
Bank loans and overdrafts	34,500	-
Net obligations under finance leases and hire purchase contracts	10	4
Trade creditors	382	621
Amounts owed to group undertakings	212	44
Social security and other taxes	391	356
Other creditors	2	-
Accruals and deferred income	3,976	8,097
	<u>39,473</u>	<u>9,122</u>

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

12. CREDITORS:

Amounts falling due after more than one year

	2002	2001
	£000	£000
Bank loans	-	26,300
Net obligations under finance leases and hire purchase contracts	-	10
	<u>-</u>	<u>26,310</u>

Included within the above are amounts falling due as follows:

	2002	2001
	£000	£000
Between one and two years		
Bank loans	-	773
	<u>-</u>	<u>773</u>
Between two and five years		
Bank loans	-	4,150
	<u>-</u>	<u>4,150</u>
Over five years		
Bank loans	-	21,377
	<u>-</u>	<u>21,377</u>

Creditors include amounts not wholly repayable within 5 years as follows:

	2002	2001
	£000	£000
Repayable by instalments	-	21,377
	<u>-</u>	<u>21,377</u>

The long term bank loan bears interest at 0.05% above LIBOR. The loan is secured by fixed and floating charges on the assets of the company.

Obligations under finance leases and hire purchase contracts, included above, are payable as follows:

	2002	2001
	£000	£000
Between two and five years	-	10
	<u>-</u>	<u>10</u>

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

SITA (KIRKLEES) LIMITED

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

13. DEFERRED TAXATION

	2002	<i>(restated)</i> 2001
	£000	£000
At beginning of year as originally reported	956	1,339
Prior year adjustment on adoption of FRS 19	-	1,593
At beginning of year as restated	956	(254)
(Released during)/charge for the year	(464)	1,210
At end of year	<u>492</u>	<u>956</u>

14. PROVISIONS

	Site Restoration and maintenance £000
At 1 January 2002	1,059
Movement in year	(224)
At 31 December 2002	<u>835</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 1.9.

15. SHARE CAPITAL

	2002	2001
	£000	£000
Authorised, allotted, called up and fully paid		
19 "A" ordinary shares shares of 1p each	-	-
81 "B" ordinary shares shares of 1p each	-	-
8,839,377 Ordinary shares shares of £1 each	8,839	8,839

16. RESERVES

	£000
Profit and loss account	
At 1 January 2002	577
Loss retained for the year	(201)
At 31 December 2002	<u>376</u>

SITA (KIRKLEES) LIMITED

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

17. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2002	(restated) 2001
	£000	£000
Loss for the year	(201)	(337)
	<u>(201)</u>	<u>(337)</u>
Opening shareholders' funds (originally £8,525,000 before adding prior year adjustment of £891,000)	9,416	9,753
Closing shareholders' funds	<u>9,215</u>	<u>9,416</u>

18. CAPITAL COMMITMENTS

At 31 December 2002 the company had capital commitments as follows:

	2002	2001
	£000	£000
Contracted for but not provided in these financial statements	<u>101</u>	<u>2,061</u>

SITA (KIRKLEES) LIMITED

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

19. PENSION COMMITMENTS

The company participates in two pension schemes. The LAWDC Pension Scheme was set up for employees of Local Authority Waste Disposal companies. For employees who were originally employed by Lancashire County Council, a second scheme operates and is administered by Scottish Widows ("SW"). Disclosures are given below for the two schemes' assets and liabilities for the SITA group as a whole. It is not possible to separately identify the company's share of the underlying assets and liabilities.

SSAP 24 disclosures

The most recent actuarial valuations were conducted as at dates between 31 March 2000 and 1 January 2001.

Main assumptions	SW	LAWDC
- rate of increase in salaries	3.5 %	4.0 %
- rate of increase in pensions	2.5 %	3.0 %
- return on scheme investment	7.1 %	7.0 %
Results:		
- level of funding	93 %	88 %
- employer's future contribution rate	10.5 %	13.0 %

Amounts charged to the profit and loss account during the period for the defined benefit pension schemes were £100,000 (2001 - £70,000). An amount of £8,000 (2001: £6,000) was payable to the funds at the year end.

FRS 17 disclosures

The valuation used for FRS 17 disclosures has been based on the most recent actuarial valuations and updated by the actuaries to take account of the requirements of FRS 17 in order to assess the liabilities of the scheme at 31 December 2002. Scheme assets are stated at their market value at 31 December 2002.

	2002	2001
	%	%
Main assumptions:		
Rate of salary increases	3.3% - 4.2%	3.5% - 4.4%
Rate of increase in pensions in payment	2.2% - 2.3%	2.4% - 2.5%
Discount rate	5.3% - 5.4%	5.7% - 5.7%
Inflation assumption	2.2% - 2.3%	2.4% - 2.5%

The assets and liabilities of the schemes and the expected rate of return at 31 December 2002 are:

	Average long-term rate of return expected 2002 %	Value 2002 £'000	Average long-term rate of return expected 2001 %	Value 2001 £'000
Equities	7.8	5,983	7.7	6,686
Bonds	4.7	1,295	5.1	1,426
Other	4.5	<u>543</u>	4.8	<u>504</u>
Total market value of assets		7,821		8,616
Present value of scheme liabilities		(12,540)		(11,341)
Pension liability before deferred tax		(4,719)		(2,725)
Related deferred tax asset		<u>1,416</u>		<u>818</u>
Net pension liability		(3,303)		(1,907)

SITA (KIRKLEES) LIMITED

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

19. PENSION COMMITMENTS (continued)

Analysis of the amount that would have been charged to operating profit

	£'000
Current service cost	684
Employee contribution	<u>(206)</u>
Total operating charge	<u>478</u>

Analysis of the amount that would have been credited to other finance income

	£'000
Expected return on pension scheme assets	635
Interest on pension scheme liabilities	<u>(648)</u>
Net return	<u>(13)</u>

Analysis of the movement in scheme deficit in the year

	£'000
Deficit at 31 December 2001	(2,725)
Current service cost	(684)
Contributions paid	794
Other finance income	(13)
Actuarial losses	<u>(2,091)</u>
Deficit at 31 December 2002	<u>(4,719)</u>

Analysis of the amount that would have been recognised in the statement of total recognised gains and losses

	£'000
Actual return less expected return on scheme assets	(1,985)
Experience gains on the liabilities	254
Changes in assumptions underlying the present value of the scheme liabilities	<u>(360)</u>
Actuarial loss recognised in the STRGL	<u>(2,091)</u>

History of experience gains and losses

Difference between actual and expected return on assets	(1,985)
- as % of scheme assets	-25 %
Experience gains	254
- as % of liabilities	2 %
Total amount recognised in STRGL	(2,091)
- as % of liabilities	17 %
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20. OPERATING LEASE COMMITMENTS

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

	2002 £000	2001 £000
Expiry date:		
Within 1 year	-	187
Between 2 and 5 years	-	27
	<u> </u>	<u> </u>

SITA (KIRKLEES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

21. RELATED PARTY TRANSACTIONS

In accordance with the exemption under Financial Reporting Standards No. 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.

22. CONTROLLING PARTY

In the opinion of the directors, SITA Holdings UK Limited controls the company as a result of controlling the majority of the issued share capital of SITA (Kirklees) Limited. Suez SA is the ultimate controlling party, being the ultimate controlling party of SITA Holdings UK Limited.

23. PARENT COMPANY

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

The largest group of which SITA (Kirklees) 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 SITA Holdings UK Limited may be obtained from SITA House, Grenfell Road, Maidenhead, Berkshire, SL6 1ES.