

**KIRKLEES WASTE SERVICES LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 1999**

**Company Number: 3497105**

FRASER RUSSELL  
Chartered Accountants  
4 London Wall Buildings  
Blomfield Street  
LONDON EC2M 5UQ



**KIRKLEES WASTE SERVICES LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**

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LONDON EC2M 5UQ

**KIRKLEES WASTE SERVICES LIMITED****COMPANY INFORMATION****Directors**

R.J. Wheatley (Chairman)  
T.W. Bradley (Managing Director)  
P.A Neill  
B. Terlinden  
P Catlin  
D.P. Sheard

**Secretary**

D.E. Murray

**Registered Office**

Lancashire House  
24 Winckley Square  
Preston  
Lancashire PR1 3JJ

**Auditors**

Fraser Russell  
4 London Wall Buildings  
Blomfield Street  
London EC2M 5UQ

**Solicitors**

Addleshaw Booth & Co  
Dennis House  
Marsden Street  
Manchester  
M2 1JD

**Bankers**

National Westminster Bank plc  
PO Box 54  
35 Fishergate  
Preston  
PR1 2BY

**KIRKLEES WASTE SERVICES LIMITED****REPORT OF THE DIRECTORS**

The directors present their report and financial statements for the year to 31 December 1999.

**Principal activities**

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

**Review of business and future developments**

The company has developed a new Household Waste Recycling Centre which opened for operation in August 1999 and replaces an existing facility. Contracts were signed with LURGI (UK) for the construction of a Waste to Energy Plant and Materials Recycling Facility (MRF) and with OK Engineering for the installation of mechanical equipment within the MRF. These projects are to be financed through long term Project Finance Loans, the details of which are being completed.

**Results and dividends**

The results for the year are summarised on page 5. The company returned a pre-tax profit for the 12 months to 31 December 1999 of £107,000 (1998: loss £227,000).

The directors do not recommend the payment of a dividend (1998: nil).

**Directors and their interests**

The directors of the company during the year were as follows:

R.J. Wheatley (Chairman)  
T.W. Bradley (Managing Director)  
C.C. Burford (resigned on 14 September 1999)  
F.P. McGinty (resigned on 17 January 2000)  
P.A. Neill (appointed on 14 September 1999)  
B. Terlinden  
P Catlin  
D.P. Sheard

No director held any interest in the shares of the company.

**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 its profit or loss for that year. In preparing these 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 group and 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.

**KIRKLEES WASTE SERVICES LIMITED****REPORT OF THE DIRECTORS****Year 2000**

The directors do not consider that there are any residual risks or uncertainties in connection with the date change to Year 2000. No exceptional costs have been incurred and are not expected to arise.

**Auditors**

Fraser Russell, Chartered Accountants and Registered Auditors were appointed auditors of the company during the year. A resolution for their re-appointment will be put to the Annual General Meeting.

**BY ORDER OF THE BOARD**

D.E. Murray  
Secretary

**Registered Office:**  
Lancashire House  
24 Winckley Square  
Preston  
Lancashire PR1 3JJ

Dated: 25 May 2000

**AUDITORS' REPORT TO THE MEMBERS OF  
KIRKLEES WASTE SERVICES LIMITED**

We have audited the financial statements on pages 5 to 14 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

**Respective responsibilities of directors and auditors**

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

**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 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 at 31st December 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



FRASER RUSSELL  
Chartered Accountants  
and Registered Auditors

4 London Wall Buildings  
Blomfield Street  
London EC2M 5UQ

Dated:

20<sup>th</sup> May 2000

## KIRKLEES WASTE SERVICES LIMITED

## PROFIT AND LOSS ACCOUNT

For the year ended 31 December 1999

	Notes	1999 £000	11 months 1998 £000
<b>Turnover</b>	2	7,731	5,401
Cost of sales		(7,207)	(5,302)
<b>Gross profit</b>		524	99
Other income		86	-
Administrative expenses		(555)	(364)
<b>Operating profit/(loss)</b>	3	55	(265)
Interest receivable and similar income	6	62	49
Interest payable and similar charges	7	(10)	(11)
<b>Profit/(loss) on ordinary activities before taxation</b>		107	(227)
Taxation	8	(50)	30
<b>Retained profit/(loss) for the year</b>	14	£57	£(197)

*Movements on reserves are set out in note 14.*

*None of the company's activities were discontinued during the above two financial years.*

*The notes on pages 7 to 14 form an integral part of these financial statements.*

## KIRKLEES WASTE SERVICES LIMITED

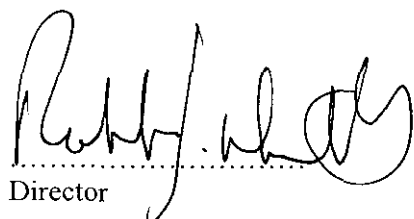
## BALANCE SHEET

As at 31 December 1999

	Notes	1999 £000	restated* 1998 £000
<b>Fixed assets</b>			
Tangible assets	9	10,867	6,478
<b>Current assets</b>			
Debtors	10	4,578	3,974
Cash at bank and in hand		756	517
		5,334	4,491
<b>Creditors: amounts falling due within one year</b>	13	(7,923)	(3,808)
<b>Net current (liabilities)/assets</b>		(2,589)	683
<b>Total assets less current liabilities</b>		8,278	7,161
<b>Provisions for liabilities and charges</b>	12	(1,079)	(1,269)
<b>Net assets</b>		£7,199	£5,892
<b>Capital and reserves</b>			
Called up share capital	13	7,339	6,089
Profit and loss account	14	(140)	(197)
<b>Equity shareholders' funds</b>	14	£7,199	£5,892

\* The effect of the restatements are described in note 12.

The financial statements were approved by the board of directors on 25 May 2000 and were signed on its behalf by:

  
Director

The notes on pages 7 to 14 form an integral part of these financial statements.



## KIRKLEES WASTE SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 1999

## 1. Accounting policies

(a) *Basis of accounting*

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 Financial Reporting Standard No. 1 to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of an EC parent undertaking which itself produces a consolidated cash flow statement.

(b) *Depreciation*

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows.

Short leasehold land and buildings	-	over the unexpired term of the lease
Landfill sites	-	amortised on basis of airspace utilised
Plant and equipment	-	3 – 5 years on a straight line basis
Office furniture and equipment	-	3 – 5 years on a straight line basis

No depreciation is provided on freehold land.

The interest attributable to the financing of separately identifiable major capital projects prior to their date of completion has been capitalised as part of the cost of the assets.

(c) *Site restoration provision*

Full provision is made for the minimum unavoidable costs in relation to restoration liabilities at its landfill sites and this value is capitalised as a fixed asset. This represents a change in accounting policy from previous years. The impact of this change on the presentation of the financial statements is described in note 12 to the accounts.

(d) *Aftercare provision*

Provision is made for post closure costs on the quantity of waste deposited in the year. Similar costs incurred during the operational life of the sites are written off directly and not charged against the provision.

(e) *Leases*

Where assets are financed under leasing agreements that do not give rights approximating to ownership, i.e. "operating leases", rentals paid in the year are charged to the profit and loss account on a straight line basis over the life of the lease.

(f) *Pension costs*

The company participates in two pension schemes providing benefits on final pensionable pay. The assets of the schemes are held separately from those of the company. Contributions to the schemes are charged to the profit and loss account so as to spread the cost of pensions over employees working lives with the company.

(g) *Deferred taxation*

Provision is made at appropriate rates for taxation deferred in respect of all material timing differences only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

**KIRKLEES WASTE SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 1999**

**1. Accounting policies (continued)**

**(h) Turnover**

Turnover represents the amounts (excluding value added tax) derived from the provision of services to customers during the period.

The directors believe that there is only one class of business and one geographical market, namely in the United Kingdom.

**2. Analysis of turnover**

Turnover, all of which arises from the company's principal activity, arises wholly within the U.K.

**3. Operating profit/(loss) is stated after charging/(crediting)**

	<b>1999</b>	<b>11 months</b>
	<b>£000</b>	<b>1998</b>
		<b>£000</b>
Auditors' remuneration		
- audit services	8	11
- other services	2	2
Depreciation	425	172
Hire of plant and machinery	144	129
Operating lease rentals	261	208
Landfill restoration costs contribution	(86)	-
	<u>          </u>	<u>          </u>

**4. Directors' remuneration**

Executive remuneration	63	*	-
Pension contributions	6		-
	<u>          </u>		<u>          </u>
	£69		-
	<u>          </u>		<u>          </u>

**5. Staff costs**

Wages and salaries	823	541
Social security costs	64	42
Other pension costs	55	39
	<u>          </u>	<u>          </u>
	942	622
	<u>          </u>	<u>          </u>

The average monthly number of employees (including directors) during the year was as follows:-

	<b>Number</b>	<b>Number</b>
Management and administration	11	9
Operational	28	27
	<u>          </u>	<u>          </u>
	39	36
	<u>          </u>	<u>          </u>

**6. Interest receivable and similar income**

	<b>£000</b>	<b>£000</b>
Bank interest	62	49
	<u>          </u>	<u>          </u>

**KIRKLEES WASTE SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 1999

7. Interest payable and similar charges	1999 £000	11 months 1998 £000
Bank loans and overdrafts	10	11
	<u>          </u>	<u>          </u>
 8. Taxation		
Tax credit available for group relief	13	33
Transfer to deferred taxation	(63)	(3)
	<u>          </u>	<u>          </u>
	£(50)	£30
	<u>          </u>	<u>          </u>

The tax credit for the period is disproportionate to the loss before tax as a result of the amortisation of certain landfill sites being disallowable for tax purposes.

9. Tangible fixed assets	Short leasehold land and buildings £000	Landfill sites £000	Plant and machinery £000	Office, furniture and equipment £000	Total £000
<b>Cost</b>					
At 1 January 1999 as previously reported	2,280	2,948	78	88	5,394
FRS12 restatement (see note 12)	-	1,256	-	-	1,256
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
At 1 January 1999 restated	2,280	4,204	78	88	6,650
Additions	4,724	3	77	11	4,815
Disposals	-	-	(2)	-	(2)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
At 31 December 1999	7,004	4,207	153	99	11,463
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Depreciation</b>					
At 1 January 1999	54	98	8	12	172
Charge for the year	80	301	26	18	425
Disposals	-	-	(1)	-	(1)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	134	399	33	30	596
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Net book value</b>					
At 31 December 1999	£6,870	£3,808	£120	£69	£10,867
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
At 31 December 1998 as previously reported	2,226	2,850	70	76	5,222
FRS12 restatement (see note 12)	-	1,256	-	-	1,256
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
At 31 December 1998 restated	£2,226	£4,106	£70	£76	£6,478
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

**KIRKLEES WASTE SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 1999**

**9. Tangible fixed assets (continued)**

The addition to landfill sites under FRS12 comprises the future restoration and aftercare expenditure which the company is obliged to undertake by the permission under which it operates landfill sites (see note 12).

Included in land and buildings are assets under construction costing £4,455,000 (1998 : £427,000).

Interest amounting to £43,000 (1998 : nil) is included in the cost of land and buildings.

<b>10. Debtors</b>	<b>1999 £000</b>	<b>1998 £000</b>
Trade debtors	492	221
Amounts due from group undertakings	2,646	2,641
Corporation tax recoverable	70	33
Other debtors	510	17
Prepayments and accrued income	860	1,062
	<hr/>	<hr/>
	£4,578	£3,974
	<hr/>	<hr/>

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

Bank overdraft	2,653	2,500
Trade creditors	557	744
Amounts owed to group undertakings	4,244	203
Other taxes and social security	133	28
Accruals and deferred income	336	333
	<hr/>	<hr/>
	£7,923	3,808
	<hr/>	<hr/>

The bank overdraft is secured by a mortgage debenture incorporating a charge over the company's assets.

**12. Provisions for liabilities and charges**

	<b>Site restoration and aftercare £000</b>	<b>Deferred taxation £000</b>	<b>Total £000</b>
At 1 January 1999 as previously reported	10	3	13
Adjustments resulting from the implementation of FRS12	1,256	-	1,256
	<hr/>	<hr/>	<hr/>
At 1 January 1999, as restated	1,266	3	1,269
Provided during year	-	63	63
Utilised	(253)	-	(253)
	<hr/>	<hr/>	<hr/>
At 31 December 1999	£1,013	£66	£1,079
	<hr/>	<hr/>	<hr/>

**KIRKLEES WASTE SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 1999**

**12. Provisions for liabilities and charges (continued)**

***Restoration and aftercare provisions – change in accounting policy***

The introduction of Financial Reporting Standard (FRS) 12, "Provisions, Contingent Liabilities and Contingent Assets" has necessitated a change in accounting policy for restoration and aftercare costs on the company's landfill sites. In accordance with FRS 12, full provision has been made for the company's minimum unavoidable costs, in relation to restoration liabilities at its landfill sites, which has been capitalised in fixed assets. The company continues to provide for intermediate restoration costs over the life of its landfill sites, based on the quantity of waste deposited in the year, since the liabilities in relation to these costs increase as waste is deposited.

The implementation of FRS 12 has increased tangible fixed assets and restoration liabilities as at 31 December 1998 by £1,256,000. There is no impact on opening retained earnings as a result of the implementation of this standard.

A brief description of each provision together with estimates of the timing of expenditure is given below:-

***Site restoration***

Site restoration provision relates to the cost of final capping and covering of the landfill sites. These costs may be impacted by a number of factors including changes in legislation and technology.

***Aftercare***

The total post closure costs, including such items as monitoring, gas and leachate management and licencing, have been estimated by management on current best practice and technology available. These costs may be impacted by a number of factors including changes in legislation and technology. The dates of payment of these aftercare costs are uncertain but are anticipated to be over a period of approximately 30 years from closure of the relevant landfill site.

***Deferred taxation***

The deferred tax provision together with the full potential liability for timing differences is made up as follows:-

	1999		1998	
	Provided	Total potential	Provided	Total potential
	£000	liability	£000	liability
	£000	£000	£000	£000
Accelerated capital allowances	63	-	3	-
Other timing differences	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	£63	-	£3	-
	<hr/>	<hr/>	<hr/>	<hr/>

## KIRKLEES WASTE SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 1999

## 13. Called up share capital

	1999		1998	
	Number	£000	Number	£000
<b>Authorised ordinary shares</b>				
"A" shares of 1p each	19	-	19	-
"B" shares of 1p each	81	-	81	-
Ordinary shares of £1 each	7,339,377	7,339	7,339,377	7,339
	<hr/>	<hr/>	<hr/>	<hr/>
	7,339,477	7,339	7,339,477	7,339
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Allotted, called up and fully paid ordinary shares</b>				
"A" shares of 1p each	19	-	19	-
"B" shares of 1p each	81	-	81	-
Ordinary shares of £1 each	7,339,377	7,339	6,089,377	6,089
	<hr/>	<hr/>	<hr/>	<hr/>
	7,339,377	7,339	6,089,477	6,089
	<hr/>	<hr/>	<hr/>	<hr/>

The A and B shares entitle holders to one vote per share, but are not entitled to dividends. Voting rights for "A" shares cannot be used to remove a director appointed by "B" shareholders and vice versa. On a winding up "A" and "B" shares have priority over ordinary shares for repayment of capital.

The ordinary shares do not entitle holders to vote or attend general meetings but shareholders are entitled to dividends.

During the year, the company allotted 1,250,000 of its ordinary shares of £1 each for cash at par to its immediate parent company, United Waste Services Limited.

## 14. Reconciliation of movements in equity shareholders' funds

	Called up Share capital £000	Profit and Loss account £000	Total £000
At 1 January 1999	6,089	(197)	5,892
Ordinary shares issued	1,250	-	1,250
Loss for the year	-	57	57
	<hr/>	<hr/>	<hr/>
At 31 December 1999	£7,339	£(140)	£7,199
	<hr/>	<hr/>	<hr/>

## 15. Capital commitments

	1999 £000	1998 £000
Capital expenditure that had been contracted for but has not been provided for in the financial statements	28,573	118
	<hr/>	<hr/>

The outstanding commitment includes £26 million in connection with the Waste to Energy Project. This project is to be financed through long term Project Finance Loans, the details of which are being negotiated with the banks.

**KIRKLEES WASTE SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31st December 1999**

**16. Lease commitments**

At 31 December 1999, the company had annual commitments under operating leases as set out below:

	1999 £000	1998 £000
Leases expiring:		
- Between one and two years	67	63
- Between two and five years	184	125
- Over five years	4	73
	<hr/> £255	<hr/> £261
	<hr/>	<hr/>

None of the leases relates to land and buildings.

**17. 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 in the Lancashire County Council, a second scheme operates and is administered by Scottish Widows ("SW").

Contributions to the schemes were made on behalf of eligible employees who have elected to join. Both schemes are funded defined benefit schemes providing benefits based on final pensionable pay, contributions being charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent valuations were 1 January 1998 for the SW scheme and 31 March 1997 for the LAWDS scheme.

The assumptions which have the most significant effect on the results of the valuation are as follows:

	SW	LAWDC
Rate of return on investments	8.5%	8.75%
Rate of increase in salaries	6.5%	7.0%
Rate of increase in pension	4.0%	4.5%
Funding level	120%	96%
Market value of assets (£'000)	3,960	12,966
Employer's future contribution rate	10.5%	13.0%

The pension charge for the period was £55,000 (1998: £39,000).

**18. Related party transactions**

The company has taken advantage of the exemption not to disclose transactions with group companies. After taking into consideration the exemption above there were no material transactions with related parties as defined by FRS 8 'Related Party Transactions'.

**KIRKLEES WASTE SERVICES LIMITED****NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31st December 1999****19. Control**

The company's immediate holding company is United Waste Services Limited, a company incorporated in England and Wales, which owns 100% of the issued share capital. Group Fabricom Plc is the parent undertaking of the smallest group for which group accounts are prepared. Copies of the accounts drawn up by this company can be obtained from the following address:

Group Fabricom Plc  
Severalls Lane  
Colchester  
Essex  
CO4 4PD

The company's ultimate holding company is Suez Lyonnaise des Eaux, a company incorporated in France whose principal place of business is in Paris. Copies of the accounts drawn up by this company can be obtained from the following address:

Suez Lyonnaise des Eaux  
1 Rue d'Astorg  
75008, Paris  
France