

SITA (Kirklees) Limited

(formerly Kirklees Waste Services Limited)

Accounts 31 December 2001

together with directors' and auditors' reports

Registered number: 3497105



Directors' report

Directors

P J Gillatt

I F Goodfellow

I A Sexton

Secretary

EJG Cooper

Registered office

SITA House

Grenfell Road

Maidenhead

Berkshire

SL6 1ES

Auditors

Deloitte & Touche

Chartered Accountants

London

Directors' report

For the year ended 31 December 2001

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

Principal activity

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

Change of name

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

Review of business and future prospects

The profit and loss account is set out on page 6. The incinerator has experienced delays on commissioning and has now been commissioned in April 2002. The directors consider that the company's profitability should be further enhanced in future years.

Results and dividends

The results for the year are summarised on page 6. The company returned a pre-tax profit of £639,000 for the year ended 31 December 2001 (2000: loss £259,000).

The directors do not recommend the payment of a dividend (2000: nil).

Directors and their interests

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

T W Bradley

P Catlin (resigned 8 February 2002)

P J Gillatt (appointed 7 January 2002)

I F Goodfellow (appointed 1 October 2001)

P A Neill (resigned 2 January 2002)

I A Sexton (appointed 1 October 2001)

D P Sheard

D A Sherwin (resigned 31 January 2002)

P Taylor (appointed 12 December 2001, resigned 1 June 2002)

B Terlinden (resigned 31 July 2001)

R J Wheatley (resigned 31 May 2002)

No director held any beneficial interest in the share capital of the company or any other group companies at any time during the year

Statement of directors' responsibilities

United Kingdom company law requires the directors to prepare accounts for each financial period 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 accounts, 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 accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

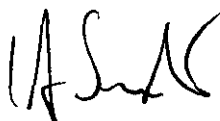
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for the system of internal control, for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

Auditors

Post year-end, Arthur Andersen resigned as auditors and Deloitte & Touche were appointed to fill the casual vacancy arising.

SITA House
Grenfell Road
Maidenhead
Berkshire
SL6 1ES

By order of the Board,



I A Sexton
Director

10 March 2003

Independent auditors' report

To the Members of SITA (Kirklees) Limited:

We have audited the financial statements of SITA (Kirklees) Limited for the year ended 31 December 2001 which comprise the profit and loss account, the balance sheet and the related notes numbered 1 to 21. These financial statements have been prepared under the accounting policies set out therein.

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 United Kingdom legal and regulatory requirements and 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 our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report for the above year 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.

Independent auditors' report (continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2001 and of the company's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Deloitte & Touche

Chartered Accountants and Registered Auditors
London

10 March 2003

Profit and loss account

For the year ended 31 December 2001

	Notes	2001 £'000	Restated 2000 £'000
Turnover	1	8,443	7,441
Cost of sales		(7,597)	(7,434)
Gross profit		846	7
Other income		316	329
Administrative expenses		(517)	(639)
Operating profit/(loss)	2	645	(303)
Interest receivable and similar income	5	20	66
Interest payable and similar charges	6	(26)	(22)
Profit/(loss) on ordinary activities before taxation		639	(259)
Taxation	8	(274)	(280)
Restated retained profit/(loss) for the year	16	365	(539)

The profit on ordinary activities before taxation derives wholly from continuing operations.

The accompanying notes are an integral part of this profit and loss account.

Profit and loss account

For the year ended 31 December 2001

Statement of total recognised gains and losses

For the year ended 31 December 2001

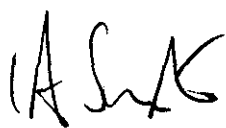
	2001 £'000	2000 £'000
Profit/ for the financial year	365	124
Total recognised gains and losses relating to the year	365	124
Prior year adjustment (as explained in note 7)	(663)	
Total gains and losses recognised since last annual report and accounts	(298)	

Balance sheet

31 December 2001

	Notes	2001 £'000	Restated 2000 £'000
Fixed assets			
Tangible assets	9	43,186	24,362
Current assets			
Debtors	10	3,385	3,900
Cash at bank and in hand		21	1,707
		3,406	5,607
Creditors: Amounts falling due within one year	11	(9,122)	(5,449)
Net current (liabilities)/assets		(5,716)	158
Total assets less current liabilities		37,470	24,502
Creditors: Amounts falling due after more than one year	12	(26,310)	(14,014)
Provisions for liabilities and charges	14	(2,635)	(2,346)
Net assets		8,525	8,160
Capital and reserves			
Called-up share capital	15	8,839	8,839
Profit and loss account	16	(314)	(679)
Restated total equity shareholders' funds		8,525	8,160

The accounts on pages 6 to 20 were approved by the board of directors on 10 March 2003 and signed on its behalf by:



I A Sexton

Director

The accompanying notes are an integral part of this balance sheet.

1 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 (Revised) 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.

The financial statements present information about the company as an individual undertaking and not about its Group. Group financial statements are not required because the company is included in the financial statement of SITA Holdings UK Limited which is registered in England.

At 31 December 2001 the company had net current liabilities of £5,716,000 (2000 – net current assets of £158,000). 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.

a) 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 machinery	- 5 years on a straight line basis
Office furniture and equipment	- 5 – 10 years on a straight line basis

No depreciation is provided on freehold land.

b) 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 their useful economic life of the project.

c) 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 group 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 the final capping of the site, site inspection, ground water monitoring, leachate management, methane gas control and recovery, and operation and maintenance costs to be incurred 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 group provides for closure and post-closure costs as the permitted airspace is used, however in accordance with FRS12, full provision has been made for the group's minimum unavoidable costs.

Notes to the financial statements (continued)

1 Accounting policies (continued)

c) Provisions for environmental and landfill costs (continued)

Post closure provisions have been shown at net present value. The current cost estimated has been inflated at 2% and discounted at 6%. The inflation and discount elements are shown in the financial statements as a financial item.

d) Leases

Where assets are financed under leasing and hire purchase agreements that give rights approximating to ownership, the amount representing the outright purchase price of such assets is capitalised under tangible fixed assets, and the corresponding leasing commitments are shown as obligations to the lessor. The relevant assets are depreciated in accordance with the company's depreciation policy. Net finance charges, calculated on a reducing balance basis, are included in interest charges.

Where assets are financed under leasing agreements that do not give rights approximating to ownership (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.

e) Pension costs

For defined benefit schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost. The regular cost is calculated so that it represents a substantially level percentage of current and future payroll. Variations from 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.

f) Deferred 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 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.

g) Turnover

Turnover represents the amounts (including landfill tax but excluding value added taxes on materials deposited in owned sites) derived from the provision of goods and 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.

Notes to the financial statements (continued)

2 Operating profit

Operating profit is stated after charging:

	2001 £'000	2000 £'000
Depreciation		
- owned assets	1,387	1,145
- leased assets	10	1
Rentals under operating leases	-	-
Hire of plant and machinery	330	208
Auditors' remuneration		
- audit fees	11	10
	<hr/>	<hr/>

3 Information regarding directors

	2001 £'000	2000 £'000
Directors' remuneration		
Total emoluments	57	75
	<hr/>	<hr/>
Number of directors who are members of defined benefit pension schemes	1	1
	<hr/>	<hr/>

4 Staff costs

	2001 £'000	2000 £'000
Wages and salaries	1,248	864
Social security costs	93	74
Other pension costs	70	57
	<hr/>	<hr/>
	1,411	995
	<hr/>	<hr/>

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

	2001 Number	2000 Number
Management and administration	11	11
Operational	48	38
	<hr/>	<hr/>
	59	49
	<hr/>	<hr/>

Notes to the financial statements (continued)

5 Interest receivable and similar income

	2001 £'000	2000 £'000
Bank interest	<u>20</u>	<u>66</u>

6 Interest payable and similar charges

	2001 £'000	2000 £'000
Bank loans and overdrafts	3	-
Unwinding discount on provisions	<u>23</u>	<u>22</u>
	<u>26</u>	<u>22</u>

7 Prior year adjustment

The company policy for calculating the post-closure and restoration landfill provisions was changed during the year to provide for closure and post-closure costs as the permitted air-space is used, whilst providing in full for the company's minimum unavoidable cost.

The directors consider that the new policy provides a fairer representation of the result and of the financial position of the company and brings the company policy in line with the parent. The comparative figures in the primary statements and notes have been restated to reflect the new policy.

The effects of the change in policy are summarised below:

	2000 £'000
Profit and loss account	
Cost of sales	<u>(663)</u>
Decrease in profit	<u>(663)</u>
Balance sheet	
Amelioration, restoration and after care provisions	<u>(663)</u>
Decrease in net assets	<u>(663)</u>

Notes to the financial statements (continued)

8 Taxation on profit on ordinary activities

	2001 £'000	2000 £'000
Tax credit available for group relief	1,076	842
Group relief adjustment in respect of prior years	(842)	151
Deferred taxation	(1,370)	(1,133)
Deferred taxation adjustment in respect of prior years	862	(140)
	<u>(274)</u>	<u>(280)</u>

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

9 Tangible fixed assets

	Short-term leasehold land and buildings £'000	Landfill sites £'000	Plant and machinery £'000	Office furniture and equipment £'000	Total £'000
Cost					
At 1 January 2001	21,747	4,446	259	149	26,601
Prior year adjustment: transfer to provisions	-	(1,050)	-	-	(1,050)
Cost at 1 January 2001 restated	21,747	3,396	259	149	25,551
Additions	19,659	50	85	10	19,804
31 December 2001	41,406	3,446	344	159	45,355
Depreciation					
Depreciation at 1 January 2001	236	1,381	75	50	1,742
Prior year adjustment: transfer to provisions	-	(553)	-	-	(553)
Depreciation at 1 January 2001 restated	236	828	75	50	1,189
Charge for the year	279	604	71	26	980
At 31 December 2001	515	1,432	146	76	2,169
Net book value					
At 31 December 2000	21,511	3,065	184	99	24,859
Prior year adjustment: transfer to provisions	-	(497)	-	-	(497)
31 December 2000 restated	21,511	2,568	184	99	24,362
At 31 December 2001	40,891	2,014	198	83	43,186

Notes to the financial statements (continued)

9 Tangible fixed assets (continued)

Included in land and buildings are assets under construction costing £34,162,000 (£18,927,000) which are not depreciated.

Included within the cost of land and buildings is capitalised interest and finance costs totalling £840,000 (2000: £883,000).

All finance costs incurred in the year have been allocated to capital projects. As such, no costs have been recognised within the profit and loss account in the year.

The net book value of the company's plant and machinery includes £10,375 (2000: £20,000) in respect of assets held under finance leases.

10 Debtors

	2001 £'000	2000 £'000
Trade debtors	983	327
Amounts owed by group undertakings	-	171
Corporation tax recoverable	1,322	1,088
Other debtors	-	1,358
Prepayments and accrued income	1,080	956
	<u>3,385</u>	<u>3,900</u>

11 Creditors: Amounts falling due within one year

	2001 £'000	2000 £'000
Obligations under finance leases (note 13)	4	4
Trade creditors	621	4,075
Amounts owed to group undertakings	44	447
Other tax and social security	356	298
Accruals and deferred income	8,097	625
	<u>9,122</u>	<u>5,449</u>

Notes to the financial statements (continued)

12 Creditors: Amounts falling due within one year

	2001 £'000	2000 £'000
Bank loans (note 13)	26,300	14,000
Obligations under finance leases (note 13)	10	14
	<u>26,310</u>	<u>14,014</u>

13 Borrowings

	2001 £'000	2000 £'000
Bank loans and overdrafts	26,300	14,000
Obligations under finance leases	14	18
	<u>26,314</u>	<u>14,018</u>
Due within one year	4	4
Due after more than one year	26,310	14,014
	<u>26,314</u>	<u>14,018</u>

Analysis of repayments:

Bank loans and overdrafts

In one year or less or on demand	-	-
Between one and two years	773	-
Between two and five years	4,150	1,473
In five years or more	21,377	12,527

Obligations under finance leases

Payable in the next year	4	4
Payable in the second to fifth year	10	14
Payable thereafter	-	-
	<u>26,314</u>	<u>14,018</u>

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

14 Provisions for liabilities and charges

	Site remediation, restoration and aftercare £'000	Deferred taxation £'000	Total £'000
At 1 January 2001	841	1,339	2,180
Transferred from fixed assets	(497)	-	(497)
Prior Year adjustment	663		663
At 1 January 2001 restated	1,007	1,339	2,346
Utilised during the year	(340)		(340)
Provided during the year	98	508	606
Unwinding discount on provision	23	-	23
At 31 December 2001	788	1,847	2,635

Restoration and aftercare provisions

The company provides for closure and post-closure costs as the permitted airspace is used. Full provision has also been made for the group's minimum unavoidable costs in relation to landfill site restoration and maintenance and the provision has been capitalised (see accounting policies note).

Deferred taxation

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

	2001		2000	
	Provided £'000	Un-provided £'000	Provided £'000	Un-provided £'000
Accelerated capital allowances	1,605	-	1,097	-
Other timing differences	242	-	242	-
Capitalised interest	-	252	-	252
	1,847	252	1,339	252

Notes to the financial statements (continued)

15 Called-up share capital

	2001		2000	
	Number	£'000	Number	£'000
Authorised ordinary shares				
"A" shares of 1p each	19	-	19	-
"B" shares of 1p each	81	-	81	-
Ordinary shares of £1 each	8,839,377	8,839	8,839,377	8,839
	<u>8,839,477</u>	<u>8,839</u>	<u>8,839,477</u>	<u>8,839</u>
Allotted, called-up and fully paid ordinary shares				
"A" shares of 1p each	19	-	19	-
"B" shares of 1p each	81	-	81	-
Ordinary shares of £1 each	8,839,377	8,839	8,839,377	8,839
	<u>8,839,477</u>	<u>8,839</u>	<u>8,839,477</u>	<u>8,839</u>

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.

1,500,000 ordinary shares of £1 each were allotted in the prior year for consideration of £1,500,000.

16 Reconciliation of movements in equity shareholders' funds

	Called up share capital £'000	Profit and loss account £'000	Total £'000
At 1 January 2001 restated	8,839	(679)	8,160
Profit for the year	-	365	365
Share capital issued in the year	-	-	-
At 31 December 2001	<u>8,839</u>	<u>(314)</u>	<u>8,525</u>

Notes to the financial statements (continued)

17 Capital commitments

	2001 £'000	2000 £'000
Capital expenditure that had been contracted for but has not been provided for in the financial statements	<u>2,061</u>	<u>20,088</u>

18 Lease commitments

At 31 December 2001, the company has annual commitments under operating leases as set out below:

	2001 £'000	2000 £'000
Leasing expiring:		
- Between one and two years	187	219
- Between two and five years	27	86
- Over five years	-	-
	<u>214</u>	<u>305</u>

None of the leases relate to land and buildings.

19 Pension commitments

The company participates in two pension schemes. The LAWDC Pension Scheme was set up for employees of Local Authority Waste Disposals 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 and the LAWDS scheme.

19 Pension commitments (continued)

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%	8.7%
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 year was £70,000 (2000: £57,000). At 31 December 2001 the company owed £4,000 (2000: £12,000) to the Scottish Widows Scheme and £2,000 (2000: £1,000) to the LAWDC Pension Scheme.

20 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'.

21 Ultimate holding company

The company's immediate holding company is United Waste Limited, a company incorporated in England and Wales, which owns 100% of the issued share capital. Copies of the accounts drawn up by this company can be obtained from the following address:

United Waste Limited
SITA House
Grenfell Road
Maidenhead
Berkshire SL6 1ES

Notes to the financial statements (continued)

21 Ultimate holding company (continued)

Groupe Fabricom SA was 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:

Groupe Fabricom SA
Rue Gatti de Gammond 254
B-1180 Brussels
Belgium

However, on 31 December 2001 SITA Holdings UK Limited acquired 100% of the share capital of Groupe Fabricom SA. SITA Holdings UK Limited is now 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:

SITA House
Grenfell Road
Maidenhead
Berkshire
SL6 1ES

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

Suez SA
1 Rue d' Astorg
78008 Paris
France