
SURREY WASTE MANAGEMENT LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2000
Registered Number: 03184332



SURREY WASTE MANAGEMENT LIMITED

Company Information

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

SURREY WASTE MANAGEMENT LIMITED

Contents

	Page
Directors' Report	1 - 2
Auditors' Report	3
Profit and Loss Account	4
Balance Sheet	5
Notes to the Financial Statements	6 - 13

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2000

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 2000.

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 has been well established in performing and is in line with expectations.

Results and dividends

The loss for the year after taxation, amounted to £1,177,000 (1999 - loss of £258,000) .

The directors do not recommend the payment of a dividend (1999 - £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 Hespe	
JF Leaver	(resigned 2 March 2001)
RA Searby	(resigned 2 March 2001)
IA Sexton	(appointed 2 March 2001)
SJ Thorne	(resigned 30 June 2001)
BE Ward	(resigned 31 March 2000)

No director who held office on 31 December 2000 had an interest in the company's shares either during the financial year or at 31 December 2000.

The interests of the directors who held office on 31 December 2000 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 2000.

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 2000

Auditors

The directors will place a resolution before the annual general meeting to reappoint Arthur Andersen as auditors for the ensuing year.

This report was approved by the board on 05 November 2001 and signed on its behalf by:



IA Sexton
Director

AUDITORS' REPORT TO THE SHAREHOLDERS OF SURREY WASTE MANAGEMENT LIMITED

We have audited the financial statements on pages 4 to 13 which have been prepared under the historical cost convention and the accounting policies set out on pages 6 and 7.

Respective responsibilities of directors and auditors

As described on page 1 the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom Law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 2000 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

05 November 2001

SURREY WASTE MANAGEMENT LIMITED

PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2000

	Note	2000 £'000	1999 £'000
TURNOVER	1,2	18,065	5,189
Cost of sales		<u>(16,586)</u>	<u>(4,859)</u>
GROSS PROFIT		1,479	330
Administrative expenses		<u>(2,886)</u>	<u>(533)</u>
OPERATING LOSS		(1,407)	(203)
Interest payable	5	<u>(18)</u>	<u>(11)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	3	(1,425)	(214)
TAXATION ON LOSS ON ORDINARY ACTIVITIES	6	<u>248</u>	<u>(44)</u>
LOSS FOR THE YEAR		(1,177)	(258)
PROFIT AND LOSS ACCOUNT BROUGHT FORWARD		<u>(258)</u>	<u>-</u>
PROFIT AND LOSS ACCOUNT CARRIED FORWARD		<u><u>(1,435)</u></u>	<u><u>(258)</u></u>

All activities relate to continuing operations.

There were no recognised gains and losses for 2000 or 1999 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 2000

	Note	2000 £'000	1999 £'000
FIXED ASSETS			
Negative goodwill	7	(1,039)	(1,136)
Tangible fixed assets	8	3,316	3,096
		<u>2,277</u>	<u>1,960</u>
CURRENT ASSETS			
Debtors	9	3,632	3,789
Cash at bank and in hand		41	1,621
		<u>3,673</u>	<u>5,410</u>
CREDITORS: amounts falling due within one year	10	<u>(6,712)</u>	<u>(7,221)</u>
NET CURRENT LIABILITIES		<u>(3,039)</u>	<u>(1,811)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(762)</u>	<u>149</u>
PROVISIONS FOR LIABILITIES AND CHARGES	11	<u>(673)</u>	<u>(407)</u>
NET LIABILITIES		<u>(1,435)</u>	<u>(258)</u>
CAPITAL AND RESERVES			
Called up share capital	12	-	-
Profit and loss account		(1,435)	(258)
EQUITY SHAREHOLDERS' DEFICIT	13	<u>(1,435)</u>	<u>(258)</u>

The financial statements were approved by the board on 5 November 2001 and signed on its behalf by:



IA Sexton

Director

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2000

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 2000 the company had net liabilities of £1,435,000 (1999 - £258,000). 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
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 is not depreciated.

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

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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2000

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. 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):

	2000 £'000	1999 £'000
Write back of negative goodwill	(117)	(29)
Depreciation of tangible fixed assets		
- owned by the company	614	343
Operating lease rentals		
- hire of plant & machinery	43	-
- other	19	7

No director received any emoluments with respect to their services as directors of the company (1999 - £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 2000

4. STAFF COSTS

Staff costs were as follows:

	2000 £'000	1999 £'000
Wages and salaries	1,365	480
Social security costs	105	29
Other pension costs	77	26
	<u>1,547</u>	<u>535</u>

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

	2000 No.	1999 No.
Administration and management	19	21
Operations	68	63
	<u>87</u>	<u>84</u>

5. INTEREST PAYABLE & SIMILAR CHARGES

	2000 £'000	1999 £'000
Discount on provisions (note 11)	18	11
	<u>18</u>	<u>11</u>

6. TAXATION

	2000 £'000	1999 £'000
Current year taxation		
UK Corporation Tax	(204)	44
Prior years		
UK corporation tax	(44)	-
	<u>(248)</u>	<u>44</u>

SURREY WASTE MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2000

7. NEGATIVE GOODWILL

	Negative goodwill £'000
Cost	
At 1 January 2000	(1,165)
Additions	(20)
	<hr/>
At 31 December 2000	(1,185)
Amortisation	
At 1 January 2000	29
Write back for year	117
	<hr/>
At 31 December 2000	146
Net Book Value	
At 31 December 2000	(1,039)
	<hr/>
<i>At 31 December 1999</i>	<i>(1,136)</i>
	<hr/>

SURREY WASTE MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2000

8. TANGIBLE FIXED ASSETS

	Freehold property - mineral and landfill £ '000	Landfill & quarry engineering £ '000	Plant & machinery £ '000	Vehicles £ '000	Fixtures & fittings £ '000	Option payment £ '000	Total £ '000
Cost							
At 1 January 2000	675	-	428	222	339	1,775	3,439
Additions	-	578	72	-	14	-	664
Disposals	-	-	-	(15)	-	-	(15)
Transfers	-	-	-	231	(12)	-	219
At 31 December 2000	<u>675</u>	<u>578</u>	<u>500</u>	<u>438</u>	<u>341</u>	<u>1,775</u>	<u>4,307</u>
Depreciation							
At 1 January 2000	60	-	156	26	101	-	343
Charge for the year	295	-	127	25	167	-	614
Disposals	-	-	-	(9)	-	-	(9)
Transfers	-	-	-	46	(3)	-	43
At 31 December 2000	<u>355</u>	<u>-</u>	<u>283</u>	<u>88</u>	<u>265</u>	<u>-</u>	<u>991</u>
Net book value							
At 31 December 2000	<u>320</u>	<u>578</u>	<u>217</u>	<u>350</u>	<u>76</u>	<u>1,775</u>	<u>3,316</u>
At 31 December 1999	<u>615</u>	<u>-</u>	<u>272</u>	<u>196</u>	<u>238</u>	<u>1,775</u>	<u>3,096</u>

SURREY WASTE MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2000

9. DEBTORS

	2000 £'000	1999 £'000
Amounts receivable within one year		
Trade debtors	-	2,543
Amounts owed by group undertakings	1,950	-
Corporation tax recoverable	17	-
Other debtors	1,495	1,215
Prepayments and accrued income	170	31
	<u>3,632</u>	<u>3,789</u>

10. CREDITORS:

Amounts falling due within one year		
	2000 £'000	1999 £'000
Trade creditors	85	167
Amounts owed to group undertakings	2,538	3,853
Corporation tax	(187)	44
Social security and other taxes	926	815
Other creditors	1,217	1
Accruals and deferred income	2,133	2,341
	<u>6,712</u>	<u>7,221</u>

SURREY WASTE MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2000

11. PROVISIONS FOR LIABILITIES AND CHARGES

	Site restoration and maintenance £ '000
At 1 January 2000	407
Charged to profit and loss account	248
Adjustment arising from discounting (note 5)	18
At 31 December 2000	<u>673</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)	
	2000 £ '000	1999 £ '000	2000 £ '000	1999 £ '000
Accelerated capital allowances	-	-	(9)	(5)
Other timing differences	-	-	(110)	(63)
	<u>-</u>	<u>-</u>	<u>(119)</u>	<u>(68)</u>

12. CALLED UP SHARE CAPITAL

	2000 £	1999 £
Authorised, allotted, called up and fully paid		
1 ordinary share of £1 each	<u>1</u>	<u>1</u>

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2000 £'000	1999 £'000
Loss for the year	(1,177)	(258)
Opening shareholders' deficit	<u>(258)</u>	<u>-</u>
Closing shareholders' deficit	<u>(1,435)</u>	<u>(258)</u>

14. 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 2000 was £19,173,000 (1999 - £13,808,000).

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2000

15. PENSION COMMITMENTS

The company operates a defined contribution scheme for which the pension cost charge for the year amounted to £77,000 (1999 - £26,000).

16. 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.

17. POST BALANCE SHEET EVENTS

Since the year end the option to purchase the Copyhold land has been allowed to lapse. The option payment capitalised at 31 December 2000 of £1,775,000 will be written off in 2001.

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 (formerly known as Suez Lyonnaise des Eaux 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.