

Registration No: 3024607

ONYX HIGHMOOR LIMITED

REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 1998



ONYX HIGHMOOR LIMITED

Annual report and financial statements for the year ended 31 December 1998

Contents

Page

1-2	Report of the directors
3	Report of the Auditors
4	Profit and loss account
5	Balance sheet
6-11	Notes to the financial statements

Directors	E Dupont - Madinier JM Kutner
Secretary	JM Kutner
Registered office	Onyx House 401 Mile End Road London E3 4PB
Auditors	Robson Rhodes 186 City Road London EC1V 2NU

ONYX HIGHMOOR LIMITED

Report of the directors for the year ended 31 December 1998

The directors present their report together with the audited financial statements for the year ended 31 December 1998.

Principal activities, trading review and future developments

The principal activities of the company are environmental services including collection, treatment, recycling and disposal of waste materials.

The directors expect that the present level of activity will be sustained for the foreseeable future.

Dividends

The directors do not recommend the payment of a dividend (1997: £nil).

Directors

The directors who held office during the year under review were:

E Dupont-Madinier
JM Kutner

None of the directors has any interest in the shares of the company, or the shares of any other company within the Onyx Environmental Group.

Auditors

During the year Coopers & Lybrand resigned as auditors and Robson Rhodes were appointed in their place. Robson Rhodes have expressed their willingness to continue in office and a resolution to reappoint them will be proposed at the Annual General Meeting.

Year 2000

The board receives regular reports from the group's internal millenium committee concerning progress in planning for the continued functioning of all group software and hardware. All major customers and suppliers have been contacted in relation to their own preparations for the year 2000 date change and, so far, the directors are satisfied that despite the uncertainties implicit in the problem, key software and hardware will be able to handle the date change. The cost to the company of compliant software and hardware will be absorbed as it arises.

ONYX HIGHMOOR LIMITED

Report of the directors for the year ended 31 December 1998 (continued)

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 as at the end of the financial year 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;

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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

By order of the Board



JM Kutner
Secretary
5 May 1999.

ONYX HIGHMOOR LIMITED

Report of the Auditors for the year ended 31 December 1998

**REPORT OF THE AUDITORS TO THE SHAREHOLDERS OF
ONYX HIGHMOOR LIMITED**

We have audited the financial statements on pages 4 to 11.

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 the company's affairs at 31 December 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Robson Rhodes
Chartered Accountants and
Registered Auditor
London

5 May 1999.

ONYX HIGHMOOR LIMITED**Profit and loss account for the year ended 31 December 1998**

	Note	Continuing operations	
		1998 £'000	1997 £'000
Turnover	2	3,027	1,206
Cost of sales		(2,218)	(1,101)
Gross profit		<u>809</u>	<u>105</u>
Administration expenses		(366)	(190)
Other operating income		12	109
Operating profit/(loss)	3	<u>455</u>	<u>24</u>
Interest payable and similar charges		(377)	(334)
Profit/(loss) on ordinary activities before taxation		<u>78</u>	<u>(310)</u>
Tax on profit/(loss) on ordinary activities	6	(91)	(19)
Retained loss for the financial year	14	<u>(13)</u>	<u>(329)</u>

The reconciliation of movements in shareholders' funds is set out in note 14.

The company has no recognised gains and losses other than those included above, and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the loss on ordinary activities before taxation and the retained loss for the year above, and their historical cost equivalents.

ONYX HIGHMOOR LIMITED

Balance sheet at 31 December 1998

	Note	1998 £'000	1997 £'000
Fixed assets			
Tangible assets	7	2,077	5,867
Current assets			
Stock – work in progress		2,732	-
Debtors	8	6,844	3,840
Cash at bank and in hand		-	90
		<u>9,576</u>	<u>3,930</u>
Creditors: amounts falling due within one year	9	(7,004)	(881)
Net current assets		<u>2,572</u>	<u>3,049</u>
Total assets less current liabilities		<u>4,649</u>	<u>8,916</u>
Creditors: amounts due after more than one year	10	-	(4,209)
Provision for liabilities and charges	11	-	(45)
Net assets		<u>4,649</u>	<u>4,662</u>
Capital and reserves			
Called up share capital	12	5,000	5,000
Profit and loss account	13	(351)	(338)
Equity shareholders' funds	14	<u>4,649</u>	<u>4,662</u>

The financial statements on pages 4 to 11 were approved by the Board of Directors on 5 May 1999 and were signed on its behalf by:


JM Kutner
Director

ONYX HIGHMOOR LIMITED

Notes to the financial statements for the year ended 31 December 1998

1 Accounting policies

Basis of accounting

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom under the historical cost convention.

Turnover

This comprises invoice values for sale of goods and services including sales of mineral sites and landfill sites no longer required by the company, including landfill tax but excluding value added tax.

Fixed assets – landfill sites

Freehold and leasehold landfill sites are depreciated in proportion to the capacity used up in each accounting period. Expenditure on creating additional capacity is carried forward to be written off over the period during which the capacity is used up. Full provision is made for site restoration and aftercare where it is anticipated that expenditure will be required at the end of the life of the site.

Fixed assets – other than landfill sites

Freehold land is not depreciated. Freehold buildings are depreciated by equal instalments over 50 years. Leasehold land and buildings are depreciated over the life of the lease.

Other fixed assets are depreciated by equal instalments over the following periods, plant and equipment: between 3 and 20 years, motor vehicles: between 3 and 5 years. The charge commences with the asset being brought into use.

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes.

Provision for deferred taxation is made under the liability method only to the extent that it is probable that the liability will become payable in the foreseeable future.

Cash flow statement

Under Financial Reporting Statement 1 (revised) the company is exempt from the requirement to prepare a cash flow statement as it is a wholly owned subsidiary of Vivendi S.A. whose financial statements are publicly available.

Related party transactions

The company has taken advantage of the exemption available under paragraph 3(c) of Financial Reporting Standard 8, not to disclose intra-group transactions.

2 Turnover

The company's turnover has arisen entirely within the United Kingdom.

ONYX HIGHMOOR LIMITED

Notes to the financial statements for the year ended 31 December 1998

3 Profit/(loss) on ordinary activities before taxation

	1998	1997
	£'000	£'000
Profit/(loss) on ordinary activities is stated after charging:		
Depreciation on:		
Tangible owned fixed assets	181	477
Tangible fixed assets held under finance leases	36	72
Auditors' remuneration	1	7
	<u> </u>	<u> </u>

4 Directors' emoluments

The directors received no emoluments during the year in respect of their services as directors of the company (1997: £ nil).

5 Employees

	1998	1997
	No.	No.
The average weekly number of employees, including directors, during the year was:		
Environmental services	15	15
	<u> </u>	<u> </u>
	1998	1997
	£'000	£'000
Employee costs including the above, consist of:		
Wages and salaries	307	213
Social security costs	28	19
Pension costs	14	9
	<u> </u>	<u> </u>
	349	241
	<u> </u>	<u> </u>

6 Tax on profit/(loss) on ordinary activities

	1998	1997
	£'000	£'000
United Kingdom		
Corporation tax at 21.75% (1996: 24.25%) current year	91	14
Deferred taxation	-	4
	<u> </u>	<u> </u>
	91	18
Adjustments in respect of prior years		
Corporation tax	-	(1)
Deferred taxation	-	2
	<u> </u>	<u> </u>
	91	19
	<u> </u>	<u> </u>

ONYX HIGHMOOR LIMITED

Notes to the financial statements for the year ended 31 December 1998

7 Tangible fixed assets

	Land and buildings £'000	Plant and machinery £'000	Total £'000
Cost or valuation			
At 1 January 1998	5,894	529	6,423
Additions	-	5	5
Disposals	(3,582)	(534)	(4,116)
At 31 December 1998	2,312	-	2,312
Depreciation			
At 1 January 1998	473	83	556
Charge for year	171	46	217
Disposals	(409)	(129)	(538)
At 31 December 1998	235	-	235
Net book value			
At 31 December 1998	2,077	-	2,077
At 31 December 1997	5,421	446	5,867

The company's landfill sites were revalued by the directors at 31 December 1997. The cost of assets carried at a valuation is not known.

8 Debtors

	1998 £'000	1997 £'000
Amounts falling due within one year:		
Trade debtors	-	332
Amounts owed by group undertakings	3,494	87
Loans to parent undertakings	1,675	3,350
Other debtors	1,675	71
	6,844	3,840

ONYX HIGHMOOR LIMITED

Notes to the financial statements for the year ended 31 December 1998

9 Creditors: amounts falling due within one year

	1998 £'000	1997 £'000
Trade creditors	-	136
Obligations under finance leases	-	67
Amounts owed to group undertakings	6,782	49
Corporation tax	92	14
Other creditors	-	615
Accruals and deferred income	130	-
	<u>7,004</u>	<u>881</u>

10 Creditors: amounts falling due after one year

	1998 £'000	1997 £'000
Bank loans (repayable between two and five years)	-	4,000
Obligations under finance leases	-	209
	<u>-</u>	<u>4,209</u>
The net finance lease obligations to which the company is committed are:		
In one year or less	-	67
Between two and five years	-	209
	<u>-</u>	<u>276</u>

The finance lease obligations were novated to Onyx Landfill Limited during the year.

11 Provision for liabilities and charges

	Provision for site restoration £'000
At 1 January 1998	45
Reclassified as an accrual	(45)
At 31 December 1998	<u>-</u>

ONYX HIGHMOOR LIMITED**Notes to the financial statements for the year ended 31 December 1998****12 Share capital**

	1998	1997
	£'000	£'000
Authorised		
2,500,000 'A' ordinary shares of £1 each	2,500	2,500
2,500,000 'B' ordinary shares of £1 each	2,500	2,500
	<u>5,000</u>	<u>5,000</u>
	<u><u> </u></u>	<u><u> </u></u>
Allotted and fully paid		
2,500,000 'A' ordinary shares of £1 each	2,500	2,500
2,500,000 'B' ordinary shares of £1 each	2,500	2,500
	<u>5,000</u>	<u>5,000</u>
	<u><u> </u></u>	<u><u> </u></u>

13 Profit and loss account

	£'000
At 1 January 1998	(338)
Loss for the financial year	(13)
AT 31 December 1998	<u>(351)</u>
	<u><u> </u></u>

14 Reconciliation of movements in shareholders' funds

	1998	1997
	£'000	£'000
Opening shareholders' funds	4,662	4,991
Loss for the financial year	(13)	(329)
Closing shareholders' funds	<u>4,649</u>	<u>4,662</u>
	<u><u> </u></u>	<u><u> </u></u>

ONYX HIGHMOOR LIMITED

Notes to the financial statements for the year ended 31 December 1998

15 Pensions

The ultimate parent undertaking operates a pension scheme covering the majority of group employees. The ultimate parent undertaking charges each of its trading subsidiaries to cover the funding of the scheme. The charge is included in the employment costs disclosed in these financial statements. The scheme is funded by payments to trustee administered funds. The scheme is administered externally and is of the defined benefit type.

The pension charges in respect of the scheme are calculated by independent qualified actuaries in the intervening years. The valuation at 1 April 1998 confirmed that the scheme was adequately funded to meet its current and anticipated future pension liabilities. The most important assumptions were:

Assumed long-term rate of:

Investment returns	10.0%
Salary increases	7.5%
Dividend increases	5.0%

At the date of the actuarial valuation referred to above, the market value of the assets of the scheme was £29,6 million.

This was sufficient to cover 111% of the actual value of liabilities.

The next actuarial valuation will be as at 1 April 2001.

16 Ultimate parent and controlling company

The ultimate parent and controlling company is Vivendi S.A. (incorporated in France). Copies of the parent's consolidated financial statements may be obtained from the Secretary, 52 Rue d'Anjou, 75384 Paris Cedex 08. The company's ultimate UK holding company is Vivendi UK Limited (registered in England and Wales).