

Registration No: 3024607

ONYX HIGHMOOR LIMITED

ANNUAL REPORT

YEAR ENDED 31 DECEMBER 2002



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ONYX HIGHMOOR LIMITED

Annual report for the year ended 31 December 2002

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Directors	M Gourvennec (resigned 2 nd January 2003) J Kutner A de Saint Quentin (appointed 2 nd January 2003) T Spaul
Secretary	J Kutner (resigned 2 nd January 2003) R Hunt (appointed 2 nd January 2003)
Registered office	Onyx House 154A Pentonville Road London N1 9PE
Auditors	RSM Robson Rhodes LLP 186 City Road London EC1V 2NU

ONYX HIGHMOOR LIMITED

Report of the directors for the year ended 31 December 2002

The directors present their report together with the audited financial statements for the year ended 31 December 2002.

Principal activities, trading review and future developments

The principal activity of the company is the operation of a landfill site. 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 (2001: £nil).

Directors

J Kutner, M Gourvennec and T Spaul were the company's directors throughout the year. M Gourvennec resigned as a director on 2 January 2003, and A de Saint Quentin was appointed in his place at the same date.

There are no directors' interests requiring disclosure under the Companies Act 1985. The interests of the current directors who are also directors of the ultimate holding company, Veolia Environnement S.A., are shown in that company's accounts.

Statement of directors' responsibilities for the Annual Report

Company law in the United Kingdom 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 have:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- followed applicable United Kingdom accounting standards; and
- prepared the financial statements on the going concern basis.

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.

The directors are responsible for ensuring that the directors' report and other information included in the Annual Report is prepared in accordance with company law in the United Kingdom.

ONYX HIGHMOOR LIMITED

Report of the directors for the year ended 31 December 2002

Auditors

On 3 May 2003, the auditors RSM Robson Rhodes transferred their business to RSM Robson Rhodes LLP.

The auditors RSM Robson Rhodes LLP are willing to continue in office, and a resolution to reappoint them will be proposed at the forthcoming annual general meeting.

Approval

By order of the Board:

A handwritten signature in black ink, appearing to read 'R Hunt', is written over the printed name.

R Hunt
Secretary
17 October 2003

ONYX HIGHMOOR LIMITED

Independent Auditors' report to the shareholders of ONYX HIGHMOOR LIMITED

We have audited the financial statements on pages 4 to 15.

This report is made solely to the company's shareholders, 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 shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and Auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

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 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 and other members of the group is not disclosed.

We read the information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any information outside the Annual Report.

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 the company's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



RSM Robson Rhodes LLP
Chartered Accountants and Registered Auditors

London, England.
17 October 2003

ONYX HIGHMOOR LIMITED**Profit and loss account for the year ended 31 December 2002**

	Note	2002 £'000	2001 £'000
Turnover – continuing operations	1	3,550	4,001
Cost of sales		(3,861)	(3,597)
Gross (loss)/profit		<u>(311)</u>	<u>404</u>
Administration expenses		(946)	(444)
Other Operating Income		5	
Operating loss – continuing operations		<u>(1,252)</u>	<u>(40)</u>
Profit on Sale of Fixed Assets		30	-
Loss on ordinary activities before taxation	2	<u>(1,222)</u>	<u>(40)</u>
Tax on loss on ordinary activities	4	221	(23)
Retained loss for the financial year	10	<u><u>(1,001)</u></u>	<u><u>(63)</u></u>

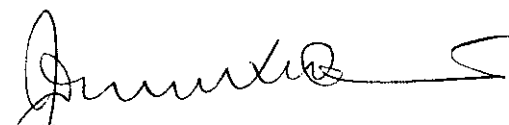
The company has no recognised gains and losses other than those included above, and therefore no separate statement of total recognised gains and losses has been presented.

ONYX HIGHMOOR LIMITED

Balance sheet at 31 December 2002

	Note	2002 £'000	2001 £'000
Fixed assets			
Tangible assets	5	2,330	1,818
Current assets			
Stocks: work in progress		5,618	5,220
Debtors	6	468	2,804
		<u>6,086</u>	<u>8,024</u>
Creditors: amounts falling due within one year	7	(5,777)	(6,217)
Net current assets		<u>309</u>	<u>1,807</u>
Total assets less current liabilities		<u>2,639</u>	<u>3,625</u>
Provisions for liabilities and charges	8	(70)	(55)
Net assets		<u>2,569</u>	<u>3,570</u>
Capital and reserves			
Called up share capital	9	5,000	5,000
Profit and loss account	10	(2,431)	(1,430)
Equity shareholders' funds	11	<u>2,569</u>	<u>3,570</u>

The financial statements on pages 4 to 15 were approved by the Board of Directors on 17 October 2003 and were signed on its behalf by:


J Kutner
Director

ONYX HIGHMOOR LIMITED

Notes to the financial statements for the year ended 31 December 2002

1 Accounting policies

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

New accounting policies

Financial Reporting Standard 17 "Retirement Benefits" need not be applied in full until the 2005 accounts, so as in previous years expenses have been charged under SSAP 24. Some additional disclosures are given as required by Financial Reporting Standard 17 (see note 14).

FRS 19 "Deferred Tax" has been adopted for the first time in these financial statements. There were no changes to current or comparative amounts as a result of applying the new accounting policy that is described below.

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

Hire of plant and equipment

This comprises the cost of hiring for long term use in the business of the company. Short term hire recharged to customers is not included.

Leases and hire purchase

Assets held under finance leases and hire purchase contracts are integrated with owned tangible fixed assets and the obligations relating thereto, excluding finance charges, are included in creditors. Costs in respect of operating leases are charged in arriving at the operating result.

Deferred taxation

The payment of taxation is deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes. Full provision for deferred taxation is made under the liability method, without discounting, on all timing differences that have arisen, but not reversed by the balance sheet date, unless such provision is not permitted by FRS 19.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Previously, under SSAP 15, provision was only made for deferred taxation if it was probable that the tax would be payable in the foreseeable future.

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.

Landfill sites have been included in the accounts at the directors' valuation. The transitional provisions of FRS 15 have been updated and accordingly the property revaluations have not been updated.

ONYX HIGHMOOR LIMITED

Notes to the financial statements for the year ended 31 December 2002

1 Accounting policies (continued)

Aftercare provisions

An estimate has been made of the net present value of the total future aftercare costs. Provision is then made for aftercare costs based on the utilisation of the landfill site in the year.

Pensions

The company operates pension schemes for all staff. The pension costs for the defined contribution scheme represent contributions payable by the company in the year. The assets of the scheme are invested and managed independently of the finances of the company.

Pension costs in respect of the defined benefit scheme are assessed in accordance with the advice of an independent qualified actuary and recognised in the profit and loss account so that regular costs represent a substantially level percentage of related current and expected future earnings and variations are spread over the expected average remaining service lives of the current employees.

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.

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 Veolia Environnement S.A. whose financial statements are publicly available.

2 Operating loss

	2002 £'000	2001 £'000
This is arrived at after charging:		
Operating lease rentals – plant and machinery	246	221
Depreciation on tangible fixed assets	114	130

The auditors' remuneration for the year has been borne by another group undertaking (2001: £nil).

ONYX HIGHMOOR LIMITED

Notes to the financial statements for the year ended 31 December 2002

3 Employees

	2002 No.	2001 No.
The average weekly number of employees, including directors, employed during the year was:		
Environmental services	9	9
	<u>9</u>	<u>9</u>
	2002 £'000	2001 £'000
Employee costs including the above, consist of:		
Salaries and wages	171	140
Social security costs	17	13
Pension costs	3	-
	<u>191</u>	<u>153</u>

The directors received no emoluments during the year in respect of their services as directors of the company (2001: £ nil).

4 Taxation

	2002 £'000	2001 £'000
Group relief		
Current tax on (loss)/income for the year	(221)	23
Adjustment in respect of prior year	-	-
Total	<u>(221)</u>	<u>23</u>
	<u>(221)</u>	<u>23</u>
Current taxation	(221)	23
Deferred taxation	-	-
Tax on loss on ordinary activities	<u>(221)</u>	<u>23</u>

ONYX HIGHMOOR LIMITED

Notes to the financial statements for the year ended 31 December 2002

4 Taxation (continued)

Current tax reconciliation

	2002 £'000	2001 £'000
Loss on ordinary activities before taxation	(1,222)	(40)
Theoretical tax at UK corporation tax rate 30% (2001: 30%)	(367)	(12)
Effects of:		
- Expenditure that is not tax deductible	91	41
- Group relief receivable/(payable) at 24% (2001: 24%)	55	(6)
Actual current taxation charge	(221)	23

5 Tangible fixed assets

	Land and buildings £'000
Cost or valuation	
At 1 January 2002	2,314
Additions	36
Transfers from Group Undertakings	701
At 31 December 2002	3,051
Depreciation	
At 1 January 2002	496
Charge for the year	114
Transfers from Group Undertakings	111
At 31 December 2002	721
Net book value	
At 31 December 2002	2,330
At 31 December 2001	1,818

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.

ONYX HIGHMOOR LIMITED

Notes to the financial statements for the year ended 31 December 2002

6 Debtors

	2002	2001
	£'000	£'000
Amounts falling due within one year:		
Amounts owed by group undertakings	-	838
Loan to parent undertaking	-	1,675
Corporation tax	439	218
Other debtors	29	73
	<u>468</u>	<u>2,804</u>

7 Creditors: amounts falling due within one year

	2002	2001
	£'000	£'000
Amounts owed to group undertakings	<u>5,777</u>	<u>6,217</u>

8 Provisions for liabilities and charges

Group and Company

	2002	2001
	£'000	£'000
Provision for aftercare		
At 1 January	55	39
Transfer from profit and loss account	15	16
At 31 December	<u>70</u>	<u>55</u>

ONYX HIGHMOOR LIMITED**Notes to the financial statements for the year ended 31 December 2002****9 Share capital**

	2002	2001
	£'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>
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>

The "A" ordinary shares and "B" ordinary shares rank pari passu in all respects.

10 Profit and loss account

	£'000
At 1 January 2002	(1,430)
Retained loss for the year	(1,001)
At 31 December 2002	<u>(2,431)</u>

11 Reconciliation of movements in shareholders' funds

	2002	2001
	£'000	£'000
Opening equity shareholders' funds	3,570	3,633
Retained loss for the year	(1,001)	(63)
Closing equity shareholders' funds	<u>2,569</u>	<u>3,570</u>

ONYX HIGHMOOR LIMITED

Notes to the financial statements for the year ended 31 December 2002

12 Financial commitments

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

	Plant and machinery		Land and buildings	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
On leases where the commitments expires:				
Within 2-5 years	80	3	-	-
Over 5 years	-	-	100	-
	<u>80</u>	<u>3</u>	<u>100</u>	<u>-</u>
	<u><u>80</u></u>	<u><u>3</u></u>	<u><u>100</u></u>	<u><u>-</u></u>

13 Pensions

Defined contribution scheme

The Veolia group operates various defined contribution pension schemes. The assets of the schemes are invested and managed independently of the finances of the group.

Defined benefit scheme

Onyx LGSS Division of the Vivendi UK Pension Plan

Veolia UK Limited operates a pension scheme covering the majority of group employees. This 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 administrated 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. The most recent valuation was at 1 January 2000, the actuarial valuation at 1 January 2003 is not yet available. The market value of the schemes' assets at that date was £3,053,000 and the level of funding was 120%.

The most important assumptions were:
Assumed long-term rate of:

Investment returns	6.5%
Salary increases	5.0%
Dividend increases	3.0%

ONYX HIGHMOOR LIMITED

Notes to the financial statements for the year ended 31 December 2002

13 Pensions (continued)

SSAP 24 disclosures

For the Onyx (LGSS) Division of the Vivendi UK Pension Plan, the pension expense for the period from 1 January 2002 to 31 December 2002 is calculated based on the 1 January 2000 valuation.

Assumptions

The key economic assumptions used for the Onyx (LGSS) Division of the Vivendi UK Pension Plan in the 1 January 2000 SSAP24 valuation are summarised below:

Expected rate of investment return before retirement	6.50%
Expected rate of investment return after retirement	6.50%
Salary growth	3.50%
Pension increases in payment:	
-Inflation linked	3.00%

The demographic assumptions are in line with the 1 January 2000 funding valuation.

Supplementary FRS17 disclosures

The Company also provides a passported defined benefit scheme under Onyx LGSS Division of the Vivendi UK Pension Plan. The latest formal valuation of the Onyx LGSS Division was carried out as at 1 January 2000. The valuation of Onyx LGSS Division liabilities detailed below has been derived by projecting forward the position from 1 January 2000 to 31 December 2002.

Contributions over the 12 month period ending 31 December 2002 were paid as follows:

	% Pensionable Salaries
Company	12.5
Members	5.0 (Manual workers)
Members	6.0 (Non-manual workers)

ONYX HIGHMOOR LIMITED

Notes to the financial statements for the year ended 31 December 2002

13 Pensions (continued)

The FRS17 value of liabilities at 31 December 2002 was approximately £3,734,000 (2001: £2,987,000) and the market value of assets was approximately £2,807,000 (2001: £2,912,000), giving a Onyx LGSS Division deficit of £927,000 (2001: £75,000).

Movement in deficit during the year:	£'000
Deficit at 1 January 2002	75
Movement in year	
- Current service cost	312
- Contributions	(327)
- Net return on assets	(40)
- Actuarial loss	907
Deficit at 31 December 2002	<u>927</u>

The employer contribution rate of 12.5% of Pensionable Salaries has been agreed for the future subject to review at the full actuarial valuation as at 31 December 2002. This actuarial valuation is not yet available.

In calculating the liabilities of the Onyx LGSS Division, the following financial assumptions have been used:

	2001	2002
Discount rate	6.0% pa	5.6% pa
Basic salary growth	3.0% pa	2.8% pa
RPI (and salary offset)	2.5% pa	2.3% pa
Pension-in payment increases (LPI related)	2.5% pa	2.3% pa

Deferred pensions are revalued to retirement age in line with the RPI assumption of 2.3% p.a. (2001: 2.5% p.a.) unless otherwise prescribed by the Scheme rules or statutory requirements.

ONYX HIGHMOOR LIMITED

Notes to the financial statements for the year ended 31 December 2002

13 Pensions (continued)

The market value of the assets of the Scheme as at 31 December 2002 together with the expected rate of return over the following year is as follows:

	At 31 December 2001			At 31 December 2002		
	£'000	%	Expected Return (% pa)	£'000	%	Expected Return (% pa)
Equities	2,341	80.4	8.0	2,215	78.9	7.3
Gilts	571	19.6	5.0	592	21.1	4.5
Total	2,912	100.0	7.4	2,807	100.0	6.7

Had the balance sheet been prepared under FRS 17, the profit and loss reserve would not have been restated. The pension schemes are multi-employer schemes where the assets of the schemes relating to Onyx Highmoor Limited cannot be separately identified on a reasonable basis, therefore the scheme is accounted for as a defined contribution scheme per FRS 17.

14 Ultimate parent and controlling company

The ultimate parent and controlling company at 31 December 2002 was Veolia Environnement S.A. (incorporated in France). Copies of the parent's consolidated financial statements may be obtained from The Secretary, 36-38 avenue Kleber, 75116 Paris, France. The company's ultimate United Kingdom holding company is Veolia UK Limited (registered in England and Wales).

The immediate parent company is Onyx Landfill Ltd (registered in England and Wales).

The directors consider Onyx Environmental Group PLC (registered in England and Wales) to be the smallest company for which group accounts including Onyx Highmoor Ltd are drawn up. Copies of the accounts can be obtained from The Registrar of Companies, Crown Way, Cardiff.