

Registration No: 3024607

ONYX HIGHMOOR LIMITED

ANNUAL REPORT

YEAR ENDED 31 DECEMBER 2003



ONYX HIGHMOOR LIMITED

Annual report for the year ended 31 December 2003

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Directors	J. Kutner A. de Saint-Quentin T. Spaul
Secretary	R. Hunt
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 2003

The directors present their report together with the audited financial statements for the year ended 31 December 2003.

Principal activities, trading review and future developments

The principal activity of the company is the operation of a landfill site.

The loss for the year after taxation of £895,000 (2002: £1,001,000 - loss) has been dealt with in the attached financial statements.

The directors consider that the result for the year, and the year end financial position, were in line with expectations.

The landfill operation continues to develop and the directors anticipate improved results in the foreseeable future.

Dividends

The directors do not recommend the payment of a dividend (2002: £nil).

Directors

The directors serving during the year end were as follows:

M. Gourvennec (resigned 2 January 2003)
J. Kutner
A. de Saint-Quentin (appointed 2 January 2003)
T. Spaul

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.

Secretary

The secretaries serving during the year and since the year end were as follows:

R. Hunt (appointed 2 January 2003)
J. Kutner (resigned 2 January 2003)

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

ONYX HIGHMOOR LIMITED

Report of the directors for the year ended 31 December 2003 (continued)

Statement of directors' responsibilities for the Annual Report (continued)

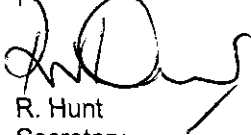
the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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.

Auditors

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.

By order of the Board:



R. Hunt
Secretary
6 September 2004

ONYX HIGHMOOR LIMITED

Independent Auditors' report to the shareholders of ONYX HIGHMOOR LIMITED

We have audited the financial statements on pages 4 to 14.

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 is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatement within it.

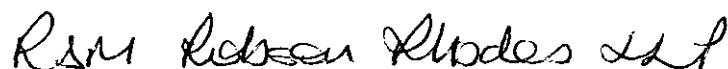
Basis of audit opinion

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.

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 2003 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.
6 September 2004

ONYX HIGHMOOR LIMITED**Profit and loss account for the year ended 31 December 2003**

	Note	2003 £'000	2002 £'000
Turnover – continuing operations	1	6,120	3,550
Cost of sales		(5,765)	(3,858)
Gross profit / (loss)		<u>355</u>	<u>(308)</u>
Administration expenses		(1,262)	(946)
Other operating Income		-	5
Operating loss – continuing operations	2	<u>(907)</u>	<u>(1,249)</u>
Profit on sale of fixed assets		-	30
Interest payable and similar charges	4	(3)	(3)
Loss on ordinary activities before taxation		<u>(910)</u>	<u>(1,222)</u>
Tax on loss on ordinary activities	5	15	221
Retained loss for the financial year	11	<u>(895)</u>	<u>(1,001)</u>

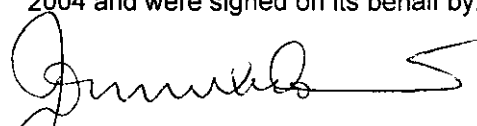
The company has no recognised gains and losses other than those included above, and therefore no separate statement of total recognised gains and losses has been presented.

ONYX HIGHMOOR LIMITED

Balance sheet at 31 December 2003

	Note	2003 £'000	2002 £'000
Fixed assets			
Tangible assets	6	2,193	2,330
Current assets			
Stocks: work in progress		5,223	5,618
Debtors	7	458	468
		<u>5,681</u>	<u>6,086</u>
Creditors: amounts falling due within one year	8	(6,125)	(5,777)
Net current (liabilities)/assets		<u>(444)</u>	<u>309</u>
Total assets less current liabilities		1,749	2,639
Provisions for liabilities and charges	9	(75)	(70)
Net assets		<u>1,674</u>	<u>2,569</u>
Capital and reserves			
Called up share capital	10	5,000	5,000
Profit and loss account	11	(3,326)	(2,431)
Equity shareholders' funds	12	<u>1,674</u>	<u>2,569</u>

The financial statements on pages 4 to 14 were approved by the Board of Directors on 6 September 2004 and were signed on its behalf by:



J. Kutner
Director

ONYX HIGHMOOR LIMITED

Notes to the financial statements for the year ended 31 December 2003

1 Accounting policies

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

Financial support

The company's ultimate UK parent company, Onyx Environmental Group Plc, has indicated that it is its intention to continue to provide sufficient finance for the company to trade in the foreseeable future.

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.

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.

Where there is evidence of impairment, fixed assets are written down to recoverable amount. Any such write down would be charged to operating profit.

Restoration costs

An estimate has been made by the directors of the anticipated costs of restoring each landfill cell created. These costs are recognised in the profit and loss account and the appropriate accruals created in the balance sheet. The costs are charged on the basis of the total capacity used in the year.

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. Unwinding of this discount is charged to the profit and loss account as a finance charge.

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.

Financial Reporting Standard 17 'Retirement Benefits' ("FRS 17") need not be applied in full until the 2005 accounts, so as in previous years expenses have been charged under Statement of Standard Accounting Practice 24 'Accounting for Pension Costs' ("SSAP 24"). Some additional disclosures are given under FRS 17 (see note 14).

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

	2003 £'000	2002 £'000
This is arrived at after charging:		
Operating lease rentals & hire of plant and machinery	244	246
Depreciation on tangible fixed assets	153	114

The auditors' remuneration for the year has been borne by another group undertaking (2002: £nil).

ONYX HIGHMOOR LIMITED**Notes to the financial statements for the year ended 31 December 2003****3 Employees**

	2003 No.	2002 No.
The average weekly number of employees, including directors, employed during the year was:		
Environmental services	10	9
	<u> </u>	<u> </u>
	2003 £'000	2002 £'000
Employee costs including the above, consist of:		
Salaries and wages	190	171
Social security costs	18	17
Pension costs	7	3
	<u> </u>	<u> </u>
	215	191
	<u> </u>	<u> </u>

The directors received no emoluments during the year in respect of their services as directors of the company (2002: £ nil).

4 Interest payable and similar charges

	2003 £'000	2002 £'000
Other finance charges	3	3
	<u> </u>	<u> </u>

Other finance charges relate to the unwinding of discount to present value on the aftercare provision (note 9).

5 Taxation

The taxation credit for the year is analysed below:

	2003 £'000	2002 £'000
Current Taxation:		
United Kingdom corporation tax	1	(221)
Adjustment in respect of prior years	(16)	-
	<u> </u>	<u> </u>
	(15)	(221)
Deferred tax	-	-
	<u> </u>	<u> </u>
Tax on loss on ordinary activities	(15)	(221)
	<u> </u>	<u> </u>

ONYX HIGHMOOR LIMITED

Notes to the financial statements for the year ended 31 December 2003

5 Taxation (continued)

Current tax reconciliation

	2003 £'000	2002 £'000
Loss on ordinary activities before taxation	(910)	(1,222)
Theoretical tax at UK corporation tax rate 30% (2002: 30%)	(273)	(367)
Effects of:		
- Adjustment in respect of prior years	(16)	-
- Expenditure that is not tax deductible	5	91
- Adjustment in respect of group relief	(1)	55
- Accelerated capital allowances	(10)	-
- Other short term timing differences	280	-
Actual current taxation credit	(15)	(221)

Deferred tax

A deferred tax asset of £549,000 (2002: £279,000) has not been recognised within the financial statements due to the uncertainty regarding its recoverability. This asset is represented by accelerated capital allowances of £88,000 (2002: £98,000) and other short term timing differences of £461,000 (2002: £181,000).

6 Tangible fixed assets

	Land and buildings £'000
Cost	
At 1 January 2003	3,051
Additions	16
At 31 December 2003	3,067
Depreciation	
At 1 January 2003	721
Charge for the year	153
At 31 December 2003	874
Net book value	
At 31 December 2003	2,193
At 31 December 2002	2,330

ONYX HIGHMOOR LIMITED

Notes to the financial statements for the year ended 31 December 2003

7 Debtors

	2003	2002
	£'000	£'000
Amounts falling due within one year:		
Amounts owed by group undertakings	453	439
Other debtors	5	29
	<u>458</u>	<u>468</u>

8 Creditors: amounts falling due within one year

	2003	2002
	£'000	£'000
Amounts owed to group undertakings	6,125	5,777
	<u>6,125</u>	<u>5,777</u>

9 Provisions for liabilities and charges

	2003	2002
	£'000	£'000
Provision for aftercare		
At 1 January	70	55
Charge to profit and loss account	2	12
Adjustment arising from the unwinding of discount	3	3
	<u>75</u>	<u>70</u>
At 31 December	<u>75</u>	<u>70</u>

10 Share capital

	2003	2002
	£'000	£'000
Authorised, 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.

ONYX HIGHMOOR LIMITED**Notes to the financial statements for the year ended 31 December 2003****11 Profit and loss account**

	£'000
At 1 January 2003	(2,431)
Retained loss for the year	(895)
At 31 December 2003	<u>(3,326)</u>

12 Reconciliation of movements in equity shareholders' funds

	2003 £'000	2002 £'000
Retained loss for the year	(895)	(1,001)
Opening equity shareholders' funds	2,569	3,570
Closing equity shareholders' funds	<u>1,674</u>	<u>2,569</u>

13 Financial commitments

At 31 December 2003 the group had annual commitments under non-cancellable operating leases as follows:

	Plant and machinery		Land and buildings	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
On leases where the commitments expires:				
Within 1 Year	4	-	-	-
Within 2-5 years	80	80	-	-
Over 5 years	-	-	100	100
	<u>84</u>	<u>80</u>	<u>100</u>	<u>100</u>

14 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 Veolia UK Pension Plan**

The company provides a defined benefit scheme under the Onyx LGSS Division of the Veolia UK Pension Plan. 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.

ONYX HIGHMOOR LIMITED

Notes to the financial statements for the year ended 31 December 2003

14 Pensions (continued)

SSAP 24 disclosures

The pension charges in respect of the scheme are calculated by independent qualified actuary. Triennial actuarial valuations of the pension scheme are performed by a qualified actuary using the projected unit method. The most recent valuation was at 31 December 2002. The market value of the schemes' assets at that date was £2,927,000 and the level of funding was 78.1%.

For the Onyx (LGSS) Division of the Veolia UK Pension Plan, the pension expense for the period from 1 January 2003 to 31 December 2003 is calculated based on the 31 December 2002 valuation.

Assumptions

The key economic assumptions used for the Onyx (LGSS) Division of the Veolia UK Pension Plan in the 1 January 2003 SSAP24 valuation are summarised below:

Expected rate of investment return before retirement – past service	6.50%
Expected rate of investment return before retirement – future service liability	6.00%
Expected rate of investment return after retirement	5.50%
Salary growth	2.80%
Pension increases in payment:	
-Inflation linked	2.30%

The demographic assumptions are in line with the 31 December 2002 funding valuation.

Supplementary pension disclosures under FRS17

Onyx LGSS Division

The latest formal valuation of the Onyx LGSS Division was carried out as at 31 December 2002. The valuation of Onyx LGSS Division liabilities detailed below has been derived by projecting forward the position from 31 December 2002 to 31 December 2003.

Contributions over the 12 month period ending 31 December 2003 were paid as follows:

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

The existing employer contribution rate of 12.5% of Pensionable Salaries will increase to 17% in 2004 and 2005.

The FRS17 value of liabilities at 31 December 2003 was approximately £4,927,000 (2002: £3,734,000) and the market value of assets was approximately £3,538,000 (2002: £2,807,000), giving an Onyx LGSS Division deficit of £1,389,000 (2002: £927,000).

ONYX HIGHMOOR LIMITED

Notes to the financial statements for the year ended 31 December 2003

14 Pensions (continued)

Movement in deficit during the year:	£'000	£'000
Deficit at 1 January 2003	927	75
Movement in year		
- Current service cost	281	312
- Contributions	(264)	(327)
- Net return on assets	20	(40)
- Actuarial loss	425	907
Deficit at 31 December 2003	<u>1,389</u>	<u>927</u>

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

	2003	2002	2001
Discount rate	5.4% pa	5.6% pa	6.0% pa
Basic salary growth	3.1% pa	2.8% pa	3.0% pa
RPI (and salary offset)	2.6% pa	2.3% pa	2.5% pa
Pension-in payment increases (LPI related)	2.6% pa	2.3% pa	2.5% pa

Deferred pensions are revalued to retirement age in line with the RPI assumption of 2.6% p.a. (2002: 2.3% p.a.) unless otherwise prescribed by the Scheme rules or statutory requirements.

The market value of the assets of the Scheme attributable to the Onyx LGSS division as at 31 December 2003 together with the expected rate of return over the following year is as follows:

	At 31 December 2003		At 31 December 2002		At 31 December 2001	
	£'000	%	£'000	%	£'000	%
Equities	2,830	80.0	2,215	78.9	2,341	80.4
Gilts	708	20.0	592	21.1	571	19.6
Total market value of assets	3,538	100.0	2,807	100.0	2,912	100.0
Present value of scheme liabilities	(4,927)		(3,734)			
Deficit in scheme	(1,389)		(927)			

ONYX HIGHMOOR LIMITED

Notes to the financial statements for the year ended 31 December 2003

14 Pensions (continued)

	31 December 2003 %p.a.	Expected return 31 December 2002 %p.a.	31 December 2001 %p.a.
Equities	7.5	7.3	8.0
Gilts	4.8	4.5	5.0
Total	7.0	6.7	7.4

Profit and loss reserve

Had the balance sheet been prepared under FRS 17 the Profit and loss Reserve would not have been restated taking account of the pension fund deficit of the Onyx LGSS Division of the Veolia UK Pension Plan. This is a multi-employer defined benefit scheme, however, Onyx Highmoor Limited is accounting for it as defined contribution schemes per FRS 17 because the company is unable to identify its share of the underlying assets and liabilities in the scheme on a consistent and reasonable basis.

15 Ultimate parent and controlling company

The ultimate parent and controlling company at 31 December 2003 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, Companies House, Crown Way, Cardiff, CF14 3UZ.