

Registration No: 3024607

ONYX HIGHMOOR LIMITED

ANNUAL REPORT

YEAR ENDED 31 DECEMBER 2004



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ONYX HIGHMOOR LIMITED

Annual report for the year ended 31 December 2004

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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	Ernst & Young LLP No.1 Colmore Square Birmingham B4 6HQ

ONYX HIGHMOOR LIMITED

Report of the directors for the year ended 31 December 2004

The directors present their report together with the audited financial statements for the year ended 31 December 2004.

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 £504,000(2003: £895,000) 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 (2003: £nil).

Directors

The directors serving during the year were as follows:

J Kutner
A de Saint-Quentin
T Spaul

There are no directors' interests requiring disclosure under Schedule 7 of the Companies Act 1985.

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 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; 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.

ONYX HIGHMOOR LIMITED

Report of the directors for the year ended 31 December 2004 (continued)

Auditors

During the year RSM Robson Rhodes LLP resigned as auditors and Ernst & Young LLP were appointed. A resolution to reappoint Ernst & Young LLP will be proposed at the forthcoming annual general meeting.

By order of the Board:



R Hunt
Secretary
12 October 2005

ONYX HIGHMOOR LIMITED

Independent Auditors' report to the members of Onyx Highmoor Limited

We have audited the financial statements of Onyx Highmoor Limited for the year ended 31 December 2004 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 15. These financial statements have been prepared on the basis of the accounting policies set out therein.

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

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 United Kingdom law and accounting standards.

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 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.

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 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Birmingham

25 October 2005

ONYX HIGHMOOR LIMITED**Profit and loss account for the year ended 31 December 2004**

	Note	2004 £'000	2003 £'000
Turnover	1	4,575	6,120
Cost of sales		(4,537)	(5,765)
Gross profit		<u>38</u>	<u>355</u>
Administration expenses		(346)	(1,262)
Other operating income		220	-
Operating loss	2	<u>(88)</u>	<u>(907)</u>
Profit on sale of fixed assets		112	-
Interest payable and similar charges	4	(8)	(3)
Profit/(loss) on ordinary activities before taxation		<u>16</u>	<u>(910)</u>
Tax on profit/(loss) on ordinary activities	5	(520)	15
Retained loss for the financial year	11	<u>(504)</u>	<u>(895)</u>

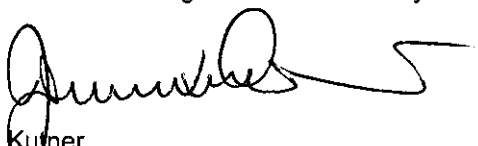
The company has no recognised gains and losses other than those included above, and therefore no separate statement of total recognised gains and losses has been presented.

ONYX HIGHMOOR LIMITED

Balance sheet at 31 December 2004

	Note	2004 £'000	As restated (note 1) 2003 £'000
Fixed assets			
Tangible assets	6	7,785	7,588
Current assets			
Debtors	7	773	453
Creditors: amounts falling due within one year	8	(6,540)	(6,125)
Net current liabilities		<u>(5,767)</u>	<u>(5,672)</u>
Total assets less current liabilities		2,018	1,916
Provisions for liabilities and charges	9	(848)	(242)
Net assets		<u>1,170</u>	<u>1,674</u>
Capital and reserves			
Called up share capital	10	5,000	5,000
Profit and loss account	11	(3,830)	(3,326)
Equity shareholders' funds	12	<u>1,170</u>	<u>1,674</u>

The financial statements on pages 4 to 14 were approved by the Board of Directors on 12 October 2005 and were signed on its behalf by:


 J Kurner
 Director

1 Accounting policies

The financial statements have been prepared under the historical cost convention, using the following significant accounting policies.

Prior year comparatives

Changes have been made to the prior year comparatives where necessary, in order to achieve consistency with the presentation adopted in the financial statements for the current year. Provisions for restoration costs are now included in the 'provisions' caption on the balance sheet. They had previously been included within 'accruals and other creditors'. In addition, landfill site cell creation stocks, which were previously classified as 'stocks' have been transferred to fixed assets.

Financial support

The company's intermediate parent company, Onyx UK Holdings Plc, has indicated that it is its intention to continue to provide sufficient finance for the company to trade in the foreseeable future. The financial statements have therefore been prepared on a going concern basis.

Turnover

This comprises invoice values for sale of goods and services including landfill tax but excluding value added tax. The company's turnover has arisen entirely within the United Kingdom and relates to continuing operations.

Operating Leases

Rental payments arising from operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

Deferred taxation

Deferred tax is provided, except as noted below, on timing differences that have arisen but not reversed by the balance sheet date, where the timing differences result in an obligation to pay more tax, or a right to pay less tax, in the future. Timing differences arise because of differences between the treatment of certain items for accounting and taxation purposes.

In accordance with FRS 19 deferred tax is not provided on timing differences arising from:

- a) revaluation gains on land and buildings, unless there is a binding agreement to sell them at the balance sheet date; and
- b) gains on the sale of non-monetary assets, where on the basis of all available evidence it is more likely than not that the taxable gain will be rolled over into replacement assets.

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

Deferred tax is measured at the tax rates that are expected to apply in the periods when the timing differences are expected to reverse, based on tax rates and law enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

Where law or accounting standards require gains and losses to be recognised in the statement of total recognised gains and losses, the related taxation is also taken directly to the statement of total recognised gains and losses in due course.

Fixed assets – landfill sites

Landfill sites are included within the financial statements at cost less accumulated depreciation. The cost of landfill sites includes the cost of acquiring, developing and engineering sites, and the costs of landfill cell creation. The cost of the asset is depreciated over the estimated life of the site on the basis of the usage of void space.

Where there is evidence of impairment, fixed assets are written down to recoverable amount.

1 Accounting policies (continued)

Landfill Restoration costs

Provision for the cost of restoring landfill sites is made over the operational life of each landfill site and charged to the profit and loss account on the basis of the usage of void space. Restoration balances arising are included within 'provisions for liabilities and charges' and discounted by applying an appropriate discount rate where the impact would be material to the financial statements.

Aftercare provisions

Aftercare costs are provided over the operational life of each landfill site and incurred for a specific period once the landfill is closed. Provision for all such costs is charged to the profit and loss account on the basis of the usage of the void space. Aftercare balances included in 'provisions for liabilities and charges' are discounted by applying an appropriate discount rate, and 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. Further details are given in 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

	2004 £'000	As restated (note 1) 2003 £'000
<i>This is arrived at after charging:</i>		
Operating leases on plant and machinery	76	86
Depreciation on tangible fixed assets	683	926
Management charges	-	966

The auditors' remuneration for the year has been borne by another group undertaking (2003: £nil).

ONYX HIGHMOOR LIMITED

Notes to the financial statements for the year ended 31 December 2004

3 Employees

	2004 No.	2003 No.
The average weekly number of employees, including directors, employed during the year was:		
Environmental services	9	10
	<u> </u>	<u> </u>
	2004 £'000	2003 £'000
Employee costs including the above, consist of:		
Salaries and wages	165	190
Social security costs	17	18
Pension costs	4	7
	<u> </u>	<u> </u>
	186	215
	<u> </u>	<u> </u>

The directors received no emoluments during the year in respect of their services as directors of the company (2003: £ nil).

4 Interest payable and similar charges

	2004 £'000	2003 £'000
Other finance charges	8	3
	<u> </u>	<u> </u>

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

5 Taxation

	2004 £'000	2003 £'000
Current Taxation:		
United Kingdom corporation tax	(8)	1
Adjustment in respect of prior years	(92)	(16)
	<u> </u>	<u> </u>
	(100)	(15)
Deferred tax		
Originating of timing differences - current year	(19)	-
Adjustment in respect of prior year	639	-
	<u> </u>	<u> </u>
Tax charge/(credit) on profit/(loss) on ordinary activities	<u> </u>	<u> </u>
	520	(15)
	<u> </u>	<u> </u>

ONYX HIGHMOOR LIMITED

Notes to the financial statements for the year ended 31 December 2004

5 Taxation (continued)

Current tax reconciliation

	2004 £'000	2003 £'000
Profit/(loss) on ordinary activities before taxation	16	(910)
Theoretical tax at UK corporation tax rate	<u>5</u>	<u>(273)</u>
Effects of:		
- Adjustment in respect of prior years	(92)	(16)
- Income not taxable	(34)	5
- Adjustment in respect of group relief	2	(1)
- Accelerated capital allowances	(1)	(10)
- Other short term timing differences	20	280
Actual current taxation credit	<u>(100)</u>	<u>(15)</u>

Deferred tax

A deferred tax asset of £ Nil (2003: £549,000) has not been recognised within the financial statements due to the uncertainty regarding its recoverability. This asset is represented by accelerated capital allowances of £Nil (2003: £88,000) and other short term timing differences of £nil (2003: £461,000).

6 Tangible fixed assets

	Long Leasehold landfill Site £'000
Cost	
At 1 January 2004 (as restated – note 1)	8,462
Additions	1,067
Disposals	(187)
At 31 December 2004	<u>9,342</u>
Depreciation	
At 1 January 2004	874
Charge for the year	683
At 31 December 2004	<u>1,557</u>
Net book value	
At 31 December 2004	<u>7,785</u>
At 31 December 2003 (as restated – note 1)	<u>7,588</u>

ONYX HIGHMOOR LIMITED

Notes to the financial statements for the year ended 31 December 2004

7 Debtors

	2004 £'000	As restated (note 1) 2003 £'000
Amounts falling due within one year:		
Other debtors	220	-
Amounts owed from group undertakings	553	453
	<u>773</u>	<u>453</u>

8 Creditors: amounts falling due within one year

	2004 £'000	2003 £'000
Accruals	53	-
Amounts owed to group undertakings	6,487	6,125
	<u>6,540</u>	<u>6,125</u>

9 Provisions for liabilities and charges

	Aftercare £'000	Restoration £'000	Deferred Tax £'000	Total £'000
At 1 January 2004 (as restated - note 1)	75	167	-	242
Charged during the year	42	35	620	697
Utilised in the year	-	(99)	-	(99)
Adjustment arising from the unwinding of discount	8	-	-	8
	<u>125</u>	<u>103</u>	<u>620</u>	<u>848</u>
At 31 December 2004	125	103	620	848

The utilisation of the aftercare provisions is anticipated within 41 years of the balance sheet date. The utilisation of the restoration provisions is anticipated within 1 year of the balance sheet date. Deferred taxation represents full provision and relates to short term timing differences.

10 Share capital

	2004 £'000	2003 £'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 2004

11 Profit and loss account

	£'000
At 1 January 2004	(3,326)
Retained loss for the year	(504)
At 31 December 2004	<u>(3,830)</u>

12 Reconciliation of movements in equity shareholders' funds

	2004 £'000	2003 £'000
Retained loss for the year	(504)	(895)
Opening equity shareholders' funds	1,674	2,569
Closing equity shareholders' funds	<u>1,170</u>	<u>1,674</u>

13 Operating Lease commitments

At 31 December 2004 the company had annual commitments under non-cancellable operating leases as follows:

	Plant and machinery 2004 £'000	2003 £'000
On leases where the commitments expire:		
Within 1 Year	14	4
Within 2-5 years	33	80
	<u>47</u>	<u>84</u>

The company has annual commitments to make minimum royalty payments of £100,000 on royalty agreements which expire after five years.

14 Pensions

The pension cost for the year was a total of £4,000 (2003: £7,000).

Onyx (LGSS) Division of the Veolia UK Pension Plan

Some employees of the company are members of the Onyx (LGSS) Division of the Veolia UK Pension Plan.

This is a multi-employer defined benefit scheme, providing benefits to the employees of a number of Onyx companies within the UK. Onyx Highmoor Limited is accounting for it as a defined contribution scheme because the company is unable to identify its share of the underlying assets and liabilities in the scheme on a consistent and reasonable basis.

The scheme is funded by the payment of contributions to separately administered trust funds. The pension charge for the year is included in note 3 to these financial statements.

ONYX HIGHMOOR LIMITED

Notes to the financial statements for the year ended 31 December 2004

14 Pensions (continued)

SSAP 24 disclosures

The pension charges in respect of the scheme are calculated by independent qualified actuaries. The most recent formal actuarial review of the scheme was at 31 December 2002, using the Projected Unit method. The market value of the scheme's 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 2004 to 31 December 2004 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 31 December 2002 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

The information disclosed below is in relation to the scheme as a whole, rather than the company's share in the scheme.

The most recent formal actuarial valuation of the Onyx (LGSS) Division of the Veolia UK Pension Plan was carried out as at 31 December 2002, and has been updated to 31 December 2004 by a qualified independent actuary.

Contributions over the 12 month period ending 31 December 2004 were paid as follows:

	% Pensionable Salaries
Company	17.0
Members	5.0 to 6.0

Employers' rates are expected to remain at 17% for 2005 and to increase in line with actuarial recommendations to 18% in 2006.

For the purposes of FRS17, the present value of pension liabilities have been calculated by discounting pension commitments, including salary growth, at an AA corporate bond yield. The FRS17 value of liabilities at 31 December 2004 was £5,262,000 (2003: £4,927,000) and the market value of assets was £4,217,000 (2003: £3,538,000), giving an Onyx (LGSS) Division deficit of £1,045,000 (2003: £1,389,000).

ONYX HIGHMOOR LIMITED

Notes to the financial statements for the year ended 31 December 2004

14 Pensions (continued)

Movement in deficit during the year:	2004 £'000	2003 £'000
Deficit at the start of the year	(1,389)	(927)
Movement in year		
- Current service cost	(248)	(281)
- Contributions	263	264
- Net finance cost	(19)	(20)
- Actuarial gain/(loss)	348	(425)
Deficit at the end of the year	<u>(1,045)</u>	<u>(1,389)</u>

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

	2004	2003	2002
Discount rate	5.4% pa	5.4% pa	5.6% pa
Basic salary growth	3.1% pa	3.1% pa	2.8% pa
RPI (and salary offset)	2.6% pa	2.6% pa	2.3% pa
Pension-in payment increases (LPI related)	2.6% pa	2.6% pa	2.3% pa

Deferred pensions are revalued to retirement age in line with the RPI assumption of 2.6% p.a. (2003: 2.6% 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 2004 together with the expected rate of return over the following year is as follows:

	At 31 December 2004		At 31 December 2003		At 31 December 2002	
	£'000	%	£'000	%	£'000	%
Equities	2,952	70.0	2,830	80.0	2,215	78.9
Gilts	1,265	30.0	708	20.0	592	21.1
Total market value of assets	4,217	100.0	3,538	100.0	2,807	100.0
Present value of scheme liabilities	(5,262)		(4,927)		(3,734)	
Deficit in scheme	(1,045)		(1,389)		(927)	
Related deferred tax asset	314		417		278	
Net pension liability	<u>(731)</u>		<u>(972)</u>		<u>(649)</u>	

ONYX HIGHMOOR LIMITED**Notes to the financial statements for the year ended 31 December 2004****14 Pensions (continued)**

	31 December 2004 %p.a.	Expected return 31 December 2003 %p.a.	31 December 2002 %p.a.
Equities	7.2	7.5	7.3
Gilts	4.5	4.8	4.5
Total	6.3	7.0	6.7

15 Ultimate parent and controlling company

The ultimate parent and controlling company at 31 December 2004 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).

Onyx Environmental Group PLC (registered in England and Wales) is 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.