

Registered number: 6256521

VEOLIA ES SOUTHWARK LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

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VEOLIA ES SOUTHWARK LIMITED

COMPANY INFORMATION

DIRECTORS	D Gerrard P Levett (resigned 8 April 2011) G Graveson T Spaul R Hunt (appointed 20 June 2011)
COMPANY SECRETARY	R Hunt
COMPANY NUMBER	6256521
REGISTERED OFFICE	210 Pentonville Road London N1 9JY
AUDITOR	Ernst & Young LLP No 1 Colmore Square Birmingham B4 6HQ

VEOLIA ES SOUTHWARK LIMITED

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VEOLIA ES SOUTHWARK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2011

The directors present their report and the financial statements for the year ended 31 December 2011

PRINCIPAL ACTIVITIES

The contract between Veolia ES Southwark Limited and Southwark Council commenced on 11 February 2008 and is for a term of 25 years

This company is a subsidiary of Veolia ES Aurora Limited, which in turn is a subsidiary of Veolia Environmental Services (UK) Plc. Veolia Environmental Services (UK) Plc is the largest group in which the company is consolidated within the UK. Veolia Environmental Services (UK) Plc will therefore be referred to throughout these financial statements as the Group.

The principal activities of the company are waste collection, disposal and recycling through an Integrated Waste Management contract with Southwark Council.

BUSINESS REVIEW

The contract

The overarching objectives of the contract are

- To actively engage Service Users to encourage a change in behaviour that makes management of waste more sustainable,
- To reduce Municipal Solid Waste arising,
- To increase levels of waste recycling and composting to 30% by 2010/11 and 40% by 2015,
- To increase the recovery of value from waste which is not recycled or composted,
- To progressively reduce waste disposal to landfill, and
- To manage the disposal of residual waste efficiently

The cornerstone of the contract is the provision of an Integrated Waste Management Facility ('IWMF') within the administrative area of Southwark Council. This will enable approximately 200,000 tonnes of municipal waste, to be treated through a range of facilities co-located on a single site at the former gasworks off Old Kent Road in Bermondsey. Construction activities at the IWMF commenced in June 2010 and were completed in early 2012.

The IWMF will comprise of six main components namely -

- a Mechanical Biological Treatment (MBT) Facility to treat residual waste
- a Materials Recovery Facility (MRF) to process segregated dry recyclables
- a Reuse and Recycling Centre for residents to deliver their bulky waste and recyclables
- a Waste Transfer Station
- a Municipal Depot for vehicles & operatives involved in the Waste Collections services
- a Resources Centre that incorporates an Educational Centre and the Administrative hub for the contract

Management of contract

The dedicated contract management team previously based at Manor Place Depot relocated to the new IWMF at the end of 2011. A new management structure to reflect the expanded operational scope of the contract has been established in 2012.

VEOLIA ES SOUTHWARK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2011

Contract services

Services are currently provided to around 130,000 properties and this is expected to rise to 160,000 by 2031. The contract currently operates a wide variety of waste management activities which can be summarised as follows:

- The collections of household waste, dry recyclable and organic materials from various recycling services, and clinical waste from eligible households
- The delivery of waste and recycling receptacles to households and Council premises
- The management of around 110,000 tonnes of municipal waste and recyclables generated in Southwark
- The operation of the former Southwark Council Transfer Station and Household Waste Reuse and Recycling Centre at Manor Place to handle waste and recyclables prior to delivery to reprocessors/markets
- The use of local third party facilities for the treatment of residual waste, residual waste transfer to Veolia landfills in Essex and for the transfer of co-mingled recyclables for Veolia's sorting Material Recycling Facilities

The contract also contains extensive obligations to undertake waste minimisation, education and communications activities related to contract activities. A core Veolia team exists to undertake this work but this is supplemented by sub-contracted resources from London Remade.

The construction of the IWMF progressed well such that the MRF element of it was commissioned towards the end of 2011 processing inputs from Southwark and third parties.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £1,561,000 (2010 £1,188,000).

During the year, the company processed 111,276 tonnes (2010 115,634 tonnes) of waste under its contract with Southwark Council. The main reason for the increase in profit with reduced tonnages is due to the quality of the recyclates in the last quarter from the MRF.

The directors expect that the present level of activity will be maintained and the company will continue to trade profitably in the forthcoming year.

The directors recommend the payment of a dividend of £3,000,000 (2010 £nil).

DIRECTORS

The directors who served during the year were:

D Gerrard
P Levett (resigned 8 April 2011)
G Graveson
T Spaul
R Hunt (appointed 20 June 2011)

The parent company maintains insurance for the directors of the company in respect of their duties as directors. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

PRINCIPAL RISKS AND UNCERTAINTIES

Principal risks

The company's activities create risk factors that are both external and internal to the company. These risks include but are not limited to environmental legislation, health and safety issues, recycling issues, business continuity and the actions of customers and competitors. The company has implemented risk controls and loss mitigation plans to address these risks.

VEOLIA ES SOUTHWARK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2011

GOING CONCERN

As described above, the company is responsible for all the operational aspects of delivering the waste processing solution to Southwark Council. This arrangement is subject to a 25 year contract, currently expected to expire in 2033. In addition to the revenues arising from this contract, the company also receives revenues from third parties to process waste.

The company is financed by intercompany loans provided by other members of the Group. The directors of that Group have concluded that it is appropriate that the Group's financial statements are prepared and presented using the going concern principle. The directors of the company have obtained a letter of support from the Group detailing the Group's intention to provide sufficient finance for the company to meet its liabilities when they fall due for a period of at least 12 months from the date of approval of these financial statements. The directors of the company have also made enquiries of the directors of the Group and as a result of these enquiries believe that funding will continue to be made available to the company for the foreseeable future.

Having taken into account the contractual revenue arising from the aforementioned Council and the likely revenues arising from third parties and the company's ongoing operational expenditure together with likely capital additions and likely capital repayments, the company's directors have concluded that it is appropriate that these financial statements are prepared and presented using the going concern principle.

EMPLOYEES

During the year the company continued to provide employees with relevant information and to seek their views on matters of common concern through their representatives and through line managers. Priority is given to ensuring that employees are aware of all significant matters affecting the company's trading position and of any significant organisational changes.

DISABLED EMPLOYEES

The company supports the employment of disabled people whenever possible, having regard to their particular aptitudes and abilities, through recruitment, by retention of those who become disabled during their employment and generally through training, career development and promotion.

PAYMENT TO SUPPLIERS

The company agrees payment terms with its suppliers when it enters into binding purchase contracts. The company seeks to abide by the payment terms agreed with suppliers whenever it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. The company seeks to treat all its suppliers fairly, but it does not have a standard or code which deals specifically with the payment of suppliers. The company had 108 days (2010: 78 days) purchases outstanding, based on the average daily amount invoiced by suppliers during the year ended 31 December 2011.

DISCLOSURE OF INFORMATION TO THE AUDITOR

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditor in connection with preparing its report and to establish that the company's auditor is aware of that information.

VEOLIA ES SOUTHWARK LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2011**

AUDITOR

The auditor, Ernst & Young LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006

This report was approved by the board on 13 August 2012 and signed on its behalf



D Gerrard
Director

VEOLIA ES SOUTHWARK LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

VEOLIA ES SOUTHWARK LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VEOLIA ES SOUTHWARK LIMITED

We have audited the financial statements of Veolia ES Southwark Limited for the year ended 31 December 2011, which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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 AUDITOR

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report and Financial Statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

VEOLIA ES SOUTHWARK LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VEOLIA ES SOUTHWARK LIMITED

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Ernst & Young LLP

Lorna McNeil (Senior Statutory Auditor)

for and on behalf of

Ernst & Young LLP, Statutory auditor

Date *20 August 2012*

VEOLIA ES SOUTHWARK LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2011**

	Note	2011 £000	2010 £000
TURNOVER	1,2	21,007	20,580
Cost of sales		(17,864)	(17,313)
GROSS PROFIT		3,143	3,267
Administrative expenses		(1,167)	(1,593)
OPERATING PROFIT	3	1,976	1,674
Interest receivable and similar income		103	-
Interest payable and similar charges	5	(139)	(23)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,940	1,651
Tax on profit on ordinary activities	6	(379)	(463)
PROFIT FOR THE FINANCIAL YEAR	14	1,561	1,188

All amounts relate to continuing operations

There were no recognised gains and losses for 2011 or 2010 other than those included in the Profit and Loss Account

The notes on pages 10 to 19 form part of these financial statements

VEOLIA ES SOUTHWARK LIMITED
REGISTERED NUMBER: 6256521

BALANCE SHEET
AS AT 31 DECEMBER 2011

	Note	£000	2011 £000	£000	2010 £000
FIXED ASSETS					
Tangible assets	7		58,179		19,979
CURRENT ASSETS					
Stocks	8	97		111	
Debtors	9	5,879		1,042	
Cash at bank		1		1	
		<u>5,977</u>		<u>1,154</u>	
CREDITORS: amounts falling due within one year	10	<u>(16,201)</u>		<u>(7,677)</u>	
NET CURRENT LIABILITIES			<u>(10,224)</u>		<u>(6,523)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>47,955</u>		<u>13,456</u>
CREDITORS: amounts falling due after more than one year	11		<u>(44,014)</u>		<u>(10,000)</u>
PROVISIONS FOR LIABILITIES					
Deferred tax	12		<u>(1,937)</u>		<u>(13)</u>
NET ASSETS			<u>2,004</u>		<u>3,443</u>
CAPITAL AND RESERVES					
Called up share capital	13		-		-
Profit and loss account	14		<u>2,004</u>		<u>3,443</u>
SHAREHOLDER'S FUNDS	15		<u>2,004</u>		<u>3,443</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 13 August 2012



D Gerrard
Director

The notes on pages 10 to 19 form part of these financial statements

VEOLIA ES SOUTHWARK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards

1.2 Financial support

An intermediate parent company, Veolia Environmental Services (UK) Plc, has provided in writing that it is its intention to continue to provide sufficient finance for the company to meet its liabilities when they fall due for a period of at least 12 months from the date of approval of these financial statements. The financial statements have therefore been prepared on a going concern basis.

1.3 Turnover

Turnover is recognised at the point of receipt of waste and represents the value of services provided in the year including landfill tax but excluding value added tax. Turnover relating to the sale of materials is recognised at either the point of dispatch or once substantially all the risks and rewards have been passed to the customer. All turnover arises in the United Kingdom and relates to the principal continuing activity.

1.4 Tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition and finance costs directly attributable to the construction of tangible fixed assets. Depreciation is calculated so as to write off the cost of tangible fixed asset over the useful economic life of the assets concerned. It is calculated on a straight line basis over the following periods:

Plant and machinery	- 3 to 11 years
Start up costs	- 25 years

Assets in the course of construction are not depreciated during the construction phase. On completion, these assets will be transferred into the appropriate asset category and will be depreciated per the stated depreciation policy.

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be appropriate.

1.5 Start up costs

Start up costs are those costs incurred during the early phases of a long term project that relate to one off activities associated with negotiating and finalising the contract with the company's principal customer, post preferred bidder stage.

These costs are capitalised and not depreciated until the underlying asset is commissioned. Upon commissioning, the costs are transferred to a depreciable class of expenditure and are then subject to the usual depreciation policies.

1.6 Interest capitalisation

Interest on loans taken out specifically for plant under construction is capitalised during the period of construction and is included in the cost of tangible fixed assets.

VEOLIA ES SOUTHWARK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

1. ACCOUNTING POLICIES (continued)

1.7 Operating leases

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the terms of the lease

1.8 Stocks

The company holds a stock of containers and bags which are valued at the lower of cost and net realisable value. Cost is determined on a first in first out basis.

Where necessary, provision is made for obsolete, slow moving or defective stocks

1.9 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.

Deferred tax is not provided on timing differences arising from 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.

VEOLIA ES SOUTHWARK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

1. ACCOUNTING POLICIES (continued)

1.10 Pensions

The company operates pension schemes for all staff

The company participates in two defined benefit plans (London Borough of Southwark Pension Fund and Veolia ES Final Salary division of the Veolia UK Pension Plan), both of which require contributions to be made to separately administered funds

London Borough of Southwark Pension Fund

This is a defined benefit pension scheme that certain employees are members of. However the company has a contractual arrangement with Southwark Council to mitigate the company's exposure to actuarial gains and losses. Therefore this scheme is accounted for as a defined contribution scheme in accordance with FRS17. Details of this scheme are given in note 17.

Veolia ES Final Salary Division of the Veolia UK Pension Plan

This is a defined benefit pension scheme that certain employees are members of. However the company is unable to identify its share of the underlying assets and liabilities. Therefore it is accounted for as a multi-employer scheme in accordance with FRS17. Details of this scheme are given in note 17.

During the year the Group has undertaken an exercise to simplify their pension arrangements, on 31 March 2011 the Veolia ES Final Salary Division of the Veolia UK Pension Plan closed to future accrual. On the same date members of the scheme were transferred into the associated defined contribution scheme.

Defined contribution schemes

Contributions to defined contribution schemes are recognised in the profit and loss account in the period in which they become payable.

1.11 Cash flow

The company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS 1.

1.12 Related party transactions

Where appropriate, the company takes advantage of the exemption available under paragraph 3(c) of Financial Reporting Standard 8 'Related Party Transactions' not to disclose intra-group transactions.

2. TURNOVER

All turnover arose within the United Kingdom.

VEOLIA ES SOUTHWARK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

3. OPERATING PROFIT

The operating profit is stated after charging

	2011	2010
	£000	£000
Depreciation of tangible fixed assets		
- owned by the company	195	148
Auditors' remuneration	18	15
Operating lease rentals - plant and machinery	509	813
	<u>722</u>	<u>976</u>

During the year, no director received any emoluments (2010 - £NIL) as their services are incidental to their roles elsewhere in the Group

4. STAFF COSTS

Staff costs were as follows

	2011	2010
	£000	£000
Wages and salaries	6,307	5,824
Social security costs	560	503
Other pension costs	607	632
	<u>7,474</u>	<u>6,959</u>

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

	2011	2010
	No.	No.
Head office and administration	9	9
Operatives	183	173
	<u>192</u>	<u>182</u>

5. INTEREST PAYABLE

	2011	2010
	£000	£000
Group interest payable	1,053	23
Capitalised interest	(914)	-
	<u>139</u>	<u>23</u>

VEOLIA ES SOUTHWARK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

6. TAXATION

	2011 £000	2010 £000
Analysis of tax (credit)/charge in the year		
Current tax (see note below)		
UK corporation tax (credit)/charge on profit for the year	(1,098)	457
Adjustments in respect of prior periods	(447)	-
Total current tax	(1,545)	457
Deferred tax		
Origination and reversal of timing differences	1,649	(2)
Effect of increased tax rate on closing liability	(155)	-
Origination and reversal of timing differences - prior year	430	8
Total deferred tax (see note 12)	1,924	6
Tax on profit on ordinary activities	379	463

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2010 lower than) the standard rate of corporation tax in the UK of 26.5% (2010 28%). The differences are explained below

	2011 £000	2010 £000
Profit on ordinary activities before tax	1,940	1,651
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 26.5% (2010 28%)	514	462
Effects of:		
Expenses not deductible for tax purposes	-	1
Capital allowances for year in excess of depreciation	(1,612)	2
Adjustments to tax charge in respect of prior periods	(447)	(8)
Current tax (credit)/charge for the year (see note above)	(1,545)	457

Factors that may affect future tax charges

In his budgets of 2010, 2011 and 2012, the Chancellor of the Exchequer proposed a decrease in the rate of UK corporation tax from 26% to 22% falling by 2%pt in 2012 and a further 1%pt a year in 2013 and 2014. The first 1%pt reduction to 25% for 2012 was substantively enacted in 2011 and, in accordance with accounting standards, has been reflected in the Company's financial statements. The second 1%pt reduction to 24% for 2012 was substantively enacted on 26 March 2012 and, in accordance with accounting standards, will be reflected in the Company's financial statements in respect of the year ended 31 December 2012. Further proposed changes will only be reflected once the reductions are substantively enacted. The estimated effect of the proposed reductions in rate by 2014 would be to decrease the deferred tax liability by £232,000.

VEOLIA ES SOUTHWARK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

7. TANGIBLE FIXED ASSETS

	Plant and machinery £000	Start up costs £000	Assets in the course of construction £000	Total £000
Cost				
At 1 January 2011	592	743	18,896	20,231
Additions	1,228	-	37,197	38,425
Disposals	(30)	-	-	(30)
At 31 December 2011	1,790	743	56,093	58,626
Depreciation				
At 1 January 2011	168	84	-	252
Charge for the year	165	30	-	195
At 31 December 2011	333	114	-	447
Net book value				
At 31 December 2011	1,457	629	56,093	58,179
At 31 December 2010	424	659	18,896	19,979

The assets include £914,000 of capitalised interest (2010 £nil) of which £914,000 (2010 £nil) was capitalised during the year

8 STOCKS

	2011 £000	2010 £000
Containers, bags, boxes and fuel	97	111

The replacement cost of stock is not significantly different to the carrying value

9 DEBTORS

	2011 £000	2010 £000
Trade debtors	2,037	263
Amounts due from Group undertakings	18	21
Other debtors	1,286	695
Prepayments and accrued income	1,456	63
Corporation tax recoverable	1,082	-
	5,879	1,042

VEOLIA ES SOUTHWARK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

10. CREDITORS.

Amounts falling due within one year

	2011	2010
	£000	£000
Trade creditors	3,605	2,519
Amounts due to Group undertakings	7,691	1,380
Corporation tax	-	828
Social security and other taxes	180	139
Other creditors	2,047	1,261
Accruals and deferred income	2,678	1,550
	<u>16,201</u>	<u>7,677</u>

11. CREDITORS:

Amounts falling due after more than one year

	2011	2010
	£000	£000
Amounts due to Group undertakings	<u>44,014</u>	<u>10,000</u>

12 DEFERRED TAXATION

	2011	2010
	£000	£000
At beginning of year	13	7
Charge for/(released during) year	1,494	(2)
Adjustments in respect of prior years	430	8
	<u>1,937</u>	<u>13</u>

The provision for deferred taxation is made up as follows

	2011	2010
	£000	£000
Accelerated capital allowances	<u>1,937</u>	<u>13</u>

VEOLIA ES SOUTHWARK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

13 SHARE CAPITAL

	2011 £	2010 £
Authorised		
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid		
2 Ordinary shares of £1 each	<u>2</u>	<u>2</u>

14. RESERVES

	Profit and loss account £000
At 1 January 2011	3,443
Profit for the year	1,561
Dividends	(3,000)
At 31 December 2011	<u>2,004</u>

15. RECONCILIATION OF MOVEMENT IN SHAREHOLDER'S FUNDS

	2011 £000	2010 £000
Opening shareholder's funds	3,443	2,255
Profit for the year	1,561	1,188
Dividends (Note 16)	(3,000)	-
Closing shareholder's funds	<u>2,004</u>	<u>3,443</u>

16. DIVIDENDS

	2011 £000	2010 £000
Dividends paid on equity capital	<u>3,000</u>	<u>-</u>

17 CAPITAL COMMITMENTS

At 31 December 2011 the company had capital commitments as follows

	2011 £000	2010 £000
Contracted for but not provided in these financial statements	<u>8,279</u>	<u>27,419</u>

VEOLIA ES SOUTHWARK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

18 PENSION COMMITMENTS

Defined contribution schemes

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. Contributions of £19,000 (2010 £11,000) were paid by the company in respect of its participation in the defined contribution schemes during the year.

Defined benefit schemes

Veolia ES Final Salary Division of the Veolia UK Pension Plan

Some employees of the company are members of the Veolia ES Final Salary Division of the Veolia UK Pension Plan. This is a multi-employer defined benefit scheme providing benefits to the employees of a number of the Group's subsidiaries within the UK. This is accounted for as a defined contribution scheme in this company as the company is unable to identify its share of the scheme assets and liabilities.

During the year the Group has undertaken an exercise to simplify their pension arrangements, on 31 March 2011 the Veolia ES Final Salary Division of the Veolia UK Pension Plan closed to future accrual. On the same date members of the scheme were transferred into the associated defined contribution scheme.

The scheme is funded by the payment of contributions to separately administered trust funds.

For the purposes of these financial statements, the figures below are illustrative only and do not impact on the results or the balance sheet of the company. It should also be noted that these figures include a substantial proportion of pension assets and liabilities relating to other group companies which also participate in the scheme. It has not been possible to identify the share of the surplus/deficit which relates solely to the company.

The measurement bases required by FRS 17 are likely to give rise to significant fluctuations in the reported amounts of the defined benefit pension scheme's assets and liabilities from year to year, and do not necessarily give rise to a change in the contributions payable into the scheme, which are recommended by the independent actuaries using long-term assumptions.

Full details relating to the pension scheme are set out in the financial statements of Veolia Environmental Services (UK) Plc.

The pension contribution for the year amounted to £5,000 (2010 £15,000). Contributions for the year ended 31 December 2011 were paid as follows:

% of Pensionable Salaries	
Company	20.6
Members	6.0 to 7.0

Whilst an additional payment schedule has been agreed for this scheme, as there are no longer any employees who are members of the scheme and it is closed to future accrual, these costs are to be borne solely by the sponsoring employer of the scheme, Veolia ES (UK) Limited.

In order to provide information about the funding position of the schemes, regular actuarial valuations are carried out. The most recent formal valuation of the scheme was carried out as at 31 December 2010 and updated to 31 December 2011 by a qualified independent actuary using the projected unit method.

The FRS 17 valuation of the Veolia ES Final Salary Division of the Veolia UK Pension Plan as at 31 December 2011 shows a deficit of £52,869,000 (2010 £30,121,000).

VEOLIA ES SOUTHWARK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

18 PENSION COMMITMENTS (continued)

London Borough of Southwark Pension Fund

Some employees of the company are members of the London Borough of Southwark Pension Fund. This is accounted for as defined contribution schemes in this company as the company has a contractual arrangement with Southwark Council to mitigate the company's exposure to actuarial gains and losses. The scheme is funded by the payment of contributions to separately administered trust funds.

Veolia ES Southwark Limited became part of this pension scheme on 11 February 2009.

The pension contribution in respect of this scheme for the year amounted to £583,000 (2010 £606,000).

19. OPERATING LEASE COMMITMENTS

At 31 December 2011 the company had annual commitments under non-cancellable operating leases as follows:

	2011 £000	2010 £000
Expiry date:		
Within 1 year	-	113
Between 2 and 5 years	30	79
After more than 5 years	61	4
Total	<u>91</u>	<u>196</u>

20. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The ultimate parent and controlling company is 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 company's immediate parent company is Veolia ES Aurora Limited (registered in England and Wales) which the directors consider to be the smallest group for which group financial statements including Veolia ES Southwark Limited are drawn up. Copies of the accounts may be obtained from the Registrar of Companies, Companies House, Crown Way, Mandy, Cardiff, CF14 3UZ.