
VEOLIA ES SOUTHWARK LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

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VEOLIA ES SOUTHWARK LIMITED

COMPANY INFORMATION

DIRECTORS	D Gerrard G Graveson T Spaul R Hunt
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

CONTENTS

	Page
Directors' report	1 - 4
Directors' responsibilities statement	5
Independent auditor's report	6 - 7
Profit and loss account	8
Balance sheet	9
Notes to the financial statements	10 - 20

VEOLIA ES SOUTHWARK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2012

The directors present their report and the financial statements for the year ended 31 December 2012

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 Environmental Services (UK) Plc. Veolia Environmental Services (UK) Plc is the smallest group in which the company is consolidated. 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 comprises of six main components namely -

- a Mechanical Biological Treatment (MBT) Facility to treat residual waste
- a Materials Recovery Facility (MRF) to process segregated dry recyclable
- 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

VEOLIA ES SOUTHWARK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2012

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.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £572,000 (2011 - £1,561,000).

Turnover for the year ended 31 December 2012 was £30,824,000 (2011 £21,007,000), the increase reflecting the new activities within the MBT and MRF facilities. During the year, the company processed 110K tonnes (2011 111K tonnes) of waste under its contract with Southwark Council. The total profits before management charges increased by £429,000, due to the new activities. There was an additional management fee charged amounting to £1.2M in 2012.

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 no dividend be paid in 2012 (2011 £3,000,000).

DIRECTORS

The directors who served during the year were:

D Gerrard
G Graveson
T Spaul
R Hunt

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 2012

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 the company have concluded that it is appropriate that the company'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 the 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 21 days (2011: 108 days) purchases outstanding, based on the average daily amount invoiced by suppliers during the year ended 31 December 2012.

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.

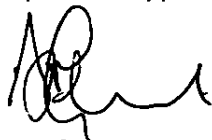
VEOLIA ES SOUTHWARK LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2012**

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 26 September 2013 and signed on its behalf



D Gerrard
Director

VEOLIA ES SOUTHWARK LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2012

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 Ltd for the year ended 31 December 2012, 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 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 2012 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

Birmingham

Date *26 September 2013*

VEOLIA ES SOUTHWARK LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2012**

	Note	2012 £000	2011 £000
TURNOVER	1,2	30,824	21,007
Cost of sales		(26,085)	(17,864)
GROSS PROFIT		4,739	3,143
Administrative expenses		(2,637)	(1,167)
OPERATING PROFIT	3	2,102	1,976
Interest receivable and similar income		-	103
Interest payable and similar charges	5	(1,509)	(139)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		593	1,940
Tax on profit on ordinary activities	6	(21)	(379)
PROFIT FOR THE FINANCIAL YEAR	14	572	1,561

All amounts relate to continuing operations

There were no recognised gains and losses for 2012 or 2011 other than those included in the Profit and loss account

The notes on pages 10 to 20 form part of these financial statements

VEOLIA ES SOUTHWARK LIMITED
REGISTERED NUMBER: 6256521

BALANCE SHEET
AS AT 31 DECEMBER 2012

			2012	As restated
	Note	£000	£000	2011 £000
FIXED ASSETS				
Tangible assets	7		60,526	58,179
CURRENT ASSETS				
Stocks	8	118		97
Debtors	9	8,848		6,780
Cash at bank		-		1
		<u>8,966</u>		<u>6,878</u>
CREDITORS , amounts falling due within one year	10	<u>(21,713)</u>		<u>(16,201)</u>
NET CURRENT LIABILITIES			<u>(12,747)</u>	<u>(9,323)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>47,779</u>	<u>48,856</u>
CREDITORS , amounts falling due after more than one year	11		(41,458)	(44,014)
PROVISIONS FOR LIABILITIES				
Deferred tax	12		(2,745)	(1,937)
NET ASSETS			<u>3,576</u>	<u>2,905</u>
CAPITAL AND RESERVES				
Called up share capital	13		1,000	901
Profit and loss account	14		2,576	2,004
SHAREHOLDER'S FUNDS	15		<u>3,576</u>	<u>2,905</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 26 September 2013



D Gerrard
Director

The notes on pages 10 to 20 form part of these financial statements

VEOLIA ES SOUTHWARK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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 Prior Year Restatement

Having undertaken a review of the legal structures across the Group, previous share issues of the company, all of which were made to the company's immediate parent company Veolia ES Aurora Limited, were not correctly recorded in the 2011 financial statements.

Those financial statements disclosed authorised share capital of 1,000 Ordinary shares of £1 each of which 2 Ordinary shares were allotted, called up and fully paid. The financial statements should have disclosed authorised share capital of 1,000,000 Ordinary shares of £1 each of which 901,000 Ordinary shares were allotted and called up and 2 were fully paid. The financial statements should also have included a debtor representing Unpaid share capital of £900,998.

The prior year balance sheet has been updated to reflect this and as a result shareholders funds for 2010 and 2011 have therefore increased by £900,998. This debtor, along with the share capital issued in the year, was settled on 22 February 2013. There is no profit impact of these disclosure changes.

1.4 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.

VEOLIA ES SOUTHWARK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

1. ACCOUNTING POLICIES (continued)

1.5 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:

Leasehold Property	-	over the life of the contract
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 have been transferred into the appropriate asset category and are 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.

1.6 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 have been transferred to a depreciable class of expenditure and are subject to the usual depreciation policies.

1.7 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. After this it is treated as a P&L item.

1.8 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.

1.9 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.

VEOLIA ES SOUTHWARK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

1. ACCOUNTING POLICIES (continued)

1.10 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.

1.11 Pensions

The Group 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 Group.

The company participates in two defined benefit pension schemes in the current year, Veolia ES Final Salary Division and London Borough of Southwark Pension Fund, which is funded, with the assets of the scheme held separately from those of the company, in separate trustee administered funds. The company's contributions are affected by the surplus/deficit in the scheme.

However for Veolia ES Final Salary Division, it is not possible to identify the company's share of the underlying assets and liabilities in the scheme on a consistent and reasonable basis. Therefore, in accordance with FRS 17 multi-employer exemption, the scheme is accounted for as if it were a defined contribution scheme. This scheme was closed to future accrual in May 2011.

For London Borough of Southwark Pension Fund, this is accounted for as a defined contribution scheme as the company has a contractual arrangement with the council to mitigate and cap the company's exposure.

The latest available information relating to the scheme and the implications for the company are detailed in the notes to the financial statements.

1.12 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.

VEOLIA ES SOUTHWARK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

1. ACCOUNTING POLICIES (continued)

1.13 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 with other wholly owned Group companies

2. TURNOVER

All turnover arose within the United Kingdom

3. OPERATING PROFIT

The operating profit is stated after charging

	2012	2011
	£000	£000
Depreciation of tangible fixed assets		
- owned by the company	2,339	195
Auditors' remuneration	16	18
Operating lease rentals - plant and machinery	388	509

During the year, no director received any emoluments (2011 - £NIL) as their services are incidental to their roles elsewhere in the Group

VEOLIA ES SOUTHWARK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

4. STAFF COSTS

On 1 April 2011, due to a change in the contract of employment, the employees of the company were transferred to become employees of Veolia ES (UK) Limited, a fellow Group undertaking. The company continues to bear the cost of these employees via a recharge from Veolia ES (UK) Limited and these employees continue to perform their duties on behalf of the company. Therefore, the amounts included below are the total payroll charges incurred by the company, irrespective of the change in contractual status.

	2012	2011
	£000	£000
Wages and salaries	7,020	6,307
Social security costs	635	560
Other pension costs	795	607
	8,450	7,474

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

	2012	2011
	No.	No.
Head office and administration	10	9
Operatives	238	183
	248	192

5. INTEREST PAYABLE

	2012	2011
	£000	£000
Group interest payable	1,638	1,053
Capitalised interest	(129)	(914)
	1,509	139

VEOLIA ES SOUTHWARK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

6. TAXATION

	2012 £000	2011 £000
Analysis of tax charge in the year		
Current tax (see note below)		
UK corporation tax credit on profit for the year	(563)	(1,098)
Adjustments in respect of prior periods	(224)	(447)
Total current tax	<u>(787)</u>	<u>(1,545)</u>
Deferred tax		
Origination and reversal of timing differences	840	1,649
Effect of increased tax rate on closing liability	(238)	(155)
Origination and reversal of timing differences - prior year	206	430
Total deferred tax (see note 12)	<u>808</u>	<u>1,924</u>
Tax on profit on ordinary activities	<u>21</u>	<u>379</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2011 - *lower than*) the standard rate of corporation tax in the UK of 24.5% (2011 - 26.5%). The differences are explained below

	2012 £000	2011 £000
Profit on ordinary activities before tax	<u>593</u>	<u>1,940</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 24.5% (2011 - 26.5%)	146	514
Effects of:		
Expenses not deductible for tax purposes	114	-
Capital allowances for year in excess of depreciation	(798)	(1,612)
Adjustments to tax charge in respect of prior periods	(224)	(447)
Short term timing difference leading to an increase (decrease) in taxation	(25)	-
Current tax credit for the year (see note above)	<u>(787)</u>	<u>(1,545)</u>

VEOLIA ES SOUTHWARK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

6. TAXATION (continued)

Factors that may affect future tax charges

Deferred tax liabilities have been stated at the corporation tax rate of 23% (2011 25%) reflecting the reduction in the UK corporation tax rate which takes effect from 1 April 2013 and which was substantively enacted on 3 July 2012, on the basis that it is anticipated that the Company's deferred tax liabilities will unwind after 1 April 2013

In the Budget of 20 March 2013, the Government announced that the UK rate of corporation tax will reduce to 20% from 1 April 2015. As the further reduction was not substantively enacted as at 31 December 2012, the corporation tax rate of 23% has been applied in calculating the deferred tax liability. The aggregate impact of the proposed reduction in corporation tax rate from 23% to 20% would be to decrease the deferred tax liability by £349,000

7. TANGIBLE FIXED ASSETS

	Leasehold Property £000	Plant and machinery £000	Start up costs £000	Assets in the course of construction £000	Total £000
Cost					
At 1 January 2012	-	1,790	743	56,093	58,626
Additions	72	255	-	4,780	5,107
Disposals	-	(441)	-	-	(441)
Transfer between classes	40,002	20,781	-	(60,783)	-
At 31 December 2012	40,074	22,385	743	90	63,292
Depreciation					
At 1 January 2012	-	333	114	-	447
Charge for the year	980	1,328	31	-	2,339
On disposals	-	(20)	-	-	(20)
At 31 December 2012	980	1,641	145	-	2,766
Net book value					
At 31 December 2012	39,094	20,744	598	90	60,526
At 31 December 2011	-	1,457	629	56,093	58,179

The assets include £ 1,043,000 of capitalised interest (2011 £ 914,000) of which £ 129,000 (2011 £ 914,000) was capitalised during the year

VEOLIA ES SOUTHWARK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

8 STOCKS

	2012	2011
	£000	£000
Containers, bags, boxes and fuel	118	97

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

9. DEBTORS

	2012	<i>As restated</i> 2011
	£000	£000
Trade debtors	3,119	2,037
Amounts due from Group undertakings	26	18
Other taxes	700	-
Other debtors	136	1,286
Called up share capital not paid	1,000	901
Prepayments and accrued income	1,982	1,456
Corporation tax recoverable	1,885	1,082
	8,848	6,780

10. CREDITORS:

Amounts falling due within one year

	2012	2011
	£000	£000
Trade creditors	1,765	3,605
Amounts due to Group undertakings	14,534	7,691
Social security and other taxes	187	180
Other creditors	155	2,047
Accruals and deferred income	5,072	2,678
	21,713	16,201

11. CREDITORS:

Amounts falling due after more than one year

	2012	2011
	£000	£000
Amounts due to Group undertakings	41,458	44,014

VEOLIA ES SOUTHWARK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

12 DEFERRED TAXATION

	2012	2011
	£000	£000
At beginning of year	1,937	13
Charge for year	602	1,494
Adjustments in respect of prior years	206	430
	<u>2,745</u>	<u>1,937</u>

The provision for deferred taxation is made up as follows

	2012	2011
	£000	£000
Accelerated capital allowances	2,511	1,937
Short term timing differences	234	-
	<u>2,745</u>	<u>1,937</u>

13. SHARE CAPITAL

	2012	<i>As restated</i> 2011
	£	£
Authorised, allotted and called up		
1,000,000 (2011 - 901,000) Ordinary shares of £1 each	<u>1,000,000</u>	<u>901,000</u>

In the year, 99,000 shares were issued at par to the company's immediate parent company, Veolia ES Aurora Limited

14. RESERVES

	Profit and loss account
	£000
At 1 January 2012	2,004
Profit for the year	572
	<u>2,576</u>
At 31 December 2012	

VEOLIA ES SOUTHWARK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

15 RECONCILIATION OF MOVEMENT IN SHAREHOLDER'S FUNDS

	2012 £000	As restated 2011 £000
Restated opening shareholder's funds (restated by £900,998 in 2011)	2,905	4,344
Profit for the year	572	1,561
Dividends (Note 16)	-	(3,000)
Shares issued during the year	99	-
Closing shareholder's funds	<u>3,576</u>	<u>2,905</u>

16 DIVIDENDS

	2012 £000	2011 £000
Dividends paid on equity capital	<u>-</u>	<u>3,000</u>

17. CAPITAL COMMITMENTS

At 31 December 2012 the company had capital commitments as follows

	2012 £000	2011 £000
Contracted for but not provided in these financial statements	<u>-</u>	<u>8,279</u>

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 £33,000 (2011 £19,000) were paid by the company in respect of its participation in the defined contribution schemes during the year. There are no unpaid contributions at the year end (2011 £nil).

Defined benefit schemes

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 £762,000 (2011 £583,000).

VEOLIA ES SOUTHWARK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

18 PENSION COMMITMENTS (continued)

Veolia ES Final Salary Division of the Veolia UK Pension Plan

During the prior year Veolia ES Final Salary Division of the Veolia UK Pension Plan (in which certain company employees were members) closed to future accrual. At this point if members were entitled to continue to accrue future defined benefit arrangements, they were transferred to the Municipal division of the Veolia UK Pension Plan otherwise members were transferred into the associated defined contribution scheme.

The pension contribution for the year amounted to £nil (2011: £5,000). There were no contributions for the year ended 31 December 2012.

Veolia ES Final Salary Division 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 defined contribution scheme in this company as the company is unable to identify its share of the scheme assets.

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

The FRS 17 valuation of the Veolia ES Final Salary Division of the Veolia UK Pension Plan as at 31 December 2012 shows a deficit of £57,027,000 (2011: £52,869,000).

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.

19 OPERATING LEASE COMMITMENTS

At 31 December 2012 the company had annual commitments under non-cancellable operating leases as follows:

	2012 £000	Other 2011 £000
Expiry date:		
Between 2 and 5 years	330	30
After more than 5 years	75	61
Total	405	91

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 Environnement UK Limited (registered in England and Wales). The company's immediate parent company is Veolia ES Aurora Limited (registered in England and Wales). The directors consider Veolia Environmental Services (UK) plc 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.