

**BIFFA WASTE SERVICES LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**31 MARCH 2002**

**Company Number : 946107**



## **BIFFA WASTE SERVICES LIMITED**

Directors: M J Bettington  
B J Griffiths  
P T Jones  
T W J Lowth  
N H Manning  
R B Tate  
M Saville  
R Tweedale

Secretary: W A F Clark

### **REPORT OF THE DIRECTORS**

The directors submit their report and financial statements for the year ended 31 March 2002.

#### **PRINCIPAL ACTIVITY**

The company operates collection, landfill and special waste services in the UK.

#### **REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS**

Turnover for the year was £240.8 million (2001: £234.0 million). The company made an operating profit of £29.1 million in the year (2001: £23.1 million).

Both the level of business and the year end financial position were satisfactory, and the directors expect that the level of activity will increase in the foreseeable future.

#### **FINANCIAL RESULTS AND DIVIDEND**

	£000
Profit before taxation	26,985
Taxation	(12,967)
Profit after taxation, transferred to reserves	<hr/> 14,018 <hr/>

Interim dividends of £10,678,000 (2001: £9,519,000) were paid during the year. The directors do not propose the payment of a final dividend (2001: £nil).

## INTRODUCTION OF THE EURO

The project for preparing systems and other applications for the introduction of the Euro is co-ordinated on a groupwide basis by the ultimate parent company. Further details of the actions that have and are being taken by the group to address this issue are disclosed in the report and financial statements of Severn Trent Plc for the year ended 31 March 2002.

No significant costs have been incurred by the company in connection with this project

## DIRECTORS

The directors of the company at the date of this report are shown above. Mr D A Brown resigned on 12 November 2001, and Mr R A S Costin resigned on 21 December 2001. Mr T W J Lowth was appointed on 20 August 2001. The other directors served throughout the year.

## DIRECTORS' INTERESTS

The company has been notified of the following interests in the ordinary shares of Severn Trent Plc.

65 <sup>5</sup> / <sub>19</sub> p Ordinary Shares		31 March 2002	31 March 2001	
B J Griffiths		6,292	5,137	
Options over Ordinary Shares	1 April 2001	Granted	Lapsed	31 March 2002
B J Griffiths	3,567	-	610	2,957

Share options were granted and are exercisable in accordance with the Severn Trent Executive Share Option Scheme and the Severn Trent Sharesave Scheme as appropriate. Details of prices and periods within which options are exercisable can be found in the financial statements of Severn Trent Plc.

No other director had any interest at 1 April 2001 or 31 March 2002 which is required to be disclosed in these financial statements.

## EMPLOYEE INVOLVEMENT

Opportunity is given on a regular basis for managers to be questioned by employees at the company's operational centres about matters that concern them. Eligible employees may participate in the Sharesave Scheme and the Pension Scheme.

## **EMPLOYMENT OF DISABLED PERSONS**

It is the policy of the company to give full consideration to suitable applications from disabled persons. Consideration will also be given to employees who become disabled to continue in their employment or to be retrained for other positions in the company.

## **SUPPLIER PAYMENT POLICY**

The company has established policies with regard to the payment of its suppliers. The company agrees terms and conditions under which business transactions with suppliers are conducted. It is company policy that, provided a supplier is complying with the relevant terms and conditions, including the prompt and complete submission of all specified documentation, payment will be made in accordance with agreed terms.

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Company law requires the directors to prepare financial statements for each financial year that 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.

The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the period ending 31 March 2002 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that 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 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.

## **AUDITORS**

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, a resolution to appoint its successor, PricewaterhouseCoopers LLP, as auditors to the company will be proposed at the annual general meeting.

On behalf of the Board

A handwritten signature in black ink, appearing to read 'Tim Lowth', with a stylized flourish above the first name.

T W J Lowth  
Director

23 January 2003

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF**

### **BIFFA WASTE SERVICES LIMITED**

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses and the related notes.

#### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

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 is not disclosed.

#### **Basis of opinion**

We conducted our audit in accordance with 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 the company's affairs as at 31 March 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*PricewaterhouseCoopers*

PricewaterhouseCoopers  
Chartered Accountants  
and Registered Auditors  
Reading

23 January 2003

**BIFFA WASTE SERVICES LIMITED**

**PROFIT AND LOSS ACCOUNT**

**FOR THE YEAR ENDED 31 MARCH 2002**

	Notes	2002 £000	2001 Restated £000
Turnover	3	240,822	234,020
Cost of sales		(199,260)	(198,238)
Gross profit		<u>41,562</u>	<u>35,782</u>
Distribution costs		(5,331)	(5,148)
Administrative costs		(7,180)	(7,554)
Operating profit before interest and taxation		<u>29,051</u>	<u>23,080</u>
Income from investments		762	194
Interest receivable		1,858	749
Provision discount elimination	14	(775)	(641)
Interest payable	4	(3,911)	(6,985)
Profit on ordinary activities before taxation	3,5	<u>26,985</u>	<u>16,397</u>
Taxation on profit on ordinary activities	7	(12,967)	(13,171)
Profit for the financial year		<u>14,018</u>	<u>3,226</u>
Interim dividend	8	(10,678)	(9,519)
Retained profit/(loss)	17	<u><u>3,340</u></u>	<u><u>(6,293)</u></u>

The profit for the financial year is derived wholly from continuing operations.

There is no material difference between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents.

**BIFFA WASTE SERVICES LIMITED**

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

**FOR THE YEAR ENDED 31 MARCH 2002**

	Notes	2002	2001
	1		Restated
		£000	£000
Profit for the financial year		14,018	3,226
Prior year adjustment	17	(1,386)	-
Total gains recognised since last annual report		<u>12,632</u>	<u>3,226</u>

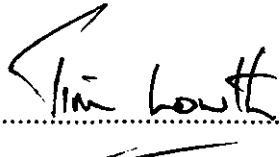


**BIFFA WASTE SERVICES LIMITED**

**BALANCE SHEET AS AT 31 MARCH 2002**

	Notes	2002 £000	2001 Restated £000
<b>FIXED ASSETS</b>			
Tangible assets	9	185,668	193,334
Intangible assets	10	3,398	2,627
Investments	11	253	802
		<u>189,319</u>	<u>196,763</u>
<b>CURRENT ASSETS</b>			
Stocks of consumables		1,965	1,219
Debtors	12	78,290	83,124
Cash at bank and in hand		2,172	7,008
		<u>82,427</u>	<u>91,351</u>
<b>CREDITORS</b>			
Amounts falling due within one year:			
Amounts owed to group undertakings		(103,393)	(67,558)
Other creditors	13	(71,288)	(127,292)
		<u>(174,681)</u>	<u>(194,850)</u>
<b>NET CURRENT LIABILITIES</b>		<u>(92,254)</u>	<u>(103,499)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>97,065</u>	<u>93,264</u>
<b>CREDITORS</b>			
Amounts falling due after one year	13	(15)	(110)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>			
	14	(21,764)	(21,208)
<b>NET ASSETS</b>		<u><u>75,286</u></u>	<u><u>71,946</u></u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	16	103,660	103,660
Revaluation reserve	17	656	656
Profit and loss account (deficit)	17	(29,030)	(32,370)
<b>EQUITY SHAREHOLDERS' FUNDS</b>	18	<u><u>75,286</u></u>	<u><u>71,946</u></u>

The financial statements on pages 6 to 26 were approved by the Board of Directors on 23 January 2003 and were signed on its behalf by:

  
 ..... T W J Lowth  
 Director

**BIFFA WASTE SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2002**

**1 ACCOUNTING POLICIES**

a) Basis of accounting

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain land and buildings, and in accordance with applicable accounting standards.

b) Landfill sites

The cost of landfill sites is capitalised as a tangible fixed asset. Cost includes site development and cell preparation costs.

c) Depreciation of tangible fixed assets

Provision for depreciation of tangible fixed assets, other than freehold land, is made by a charge against income based on the cost of such assets over their expected useful lives using the straight line method at the following rates:-

Motor vehicles	4-8 years
Plant	5-8 years
Fixtures and office equipment	5-10 years
Short leasehold property	Length of lease
Long leasehold property	21-50 years

The cost of landfill sites is amortised over the estimated life of each site on the basis of void usage. Cost includes the cost of acquiring and developing each site but does not include interest.

Each landfill site is divided into a number of operational cells. Cell preparation costs are depreciated over the estimated life of the cell on the basis of the usage of the void space within the cell concerned.

d) Stocks

Stocks are stated at the lower of cost and net realisable value.

**BIFFA WASTE SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 MARCH 2002**

e) Deferred taxation

Deferred taxation is fully provided in respect of timing differences between the treatment of certain items for the taxation and accounting purposes. Material deferred taxation balances are discounted by applying an appropriate risk free discount rate.

f) Changes in accounting policies.

The company has adopted FRS 19 'Deferred Tax' for the first time in these financial statements. The adoption of this standard represents a change in accounting policy and the comparative figures have been restated accordingly (see note 7 and 17).

g) Reinstatement of land and environmental control

Provision for the cost of reinstatement of landfill sites is made over the operational life of each site and charged to the profit and loss account on the basis of volume of void space used.

Environmental control and aftercare costs are incurred over each site's operational life and these may continue for a considerable period thereafter. Provision for the total estimated costs of environmental control and aftercare is made over the operational life of each site and charged to the profit and loss account on the basis of volume of void space used.

h) Leased assets

Where assets are financed by leasing agreements that have rights approximating to ownership ('finance leases'), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor. Depreciation on the relevant assets is charged to the profit and loss account in accordance with note 1 (c) above. Lease payments are treated as consisting of capital and interest elements and the interest is charged to the profit and loss account.

All other leases are accounted for as operating leases, and the annual rentals are charged to the profit and loss account on a straight-line basis over the lease term.

**BIFFA WASTE SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 MARCH 2002**

i) Goodwill

Goodwill represents the excess of purchase consideration over the fair value of the separable assets acquired.

Following the introduction of FRS10, the company changed its accounting policy for goodwill. Goodwill arising on all acquisitions prior to 1 April 1998 was written off against the profit and loss account reserve. Purchased goodwill arising on acquisitions after 31 March 1998 is treated as an intangible fixed asset in the balance sheet and stated at cost less accumulated amortisation. Capitalised goodwill is amortised on a straight line basis over its useful economic life. Useful economic lives are currently estimated at 20 years.

j) Pension costs

The company contributes to the Severn Trent Water Pension Scheme and the UK Waste Pension Scheme (UKWPS). Pension costs are determined actuarially so as to spread the cost of providing pension benefits over the estimated period of employees' pensionable service with the company.

Severn Trent Plc, the ultimate parent company, operates a defined benefit scheme (the 'Severn Trent Water Pension Scheme'), to which some employees of the company are members. Certain additional disclosures in relation to this defined benefit scheme are required under the transitional provisions of FRS 17 and are given in the Severn Trent Plc group accounts. However, as the company is unable to identify its share of underlying assets and liabilities from the group's defined benefits scheme, it continues to account for the cost of contributions as if the scheme were a defined contribution scheme. Based on the assumptions adopted for FRS 17, there is a surplus in the Severn Trent Water Pension Scheme as at 31 March 2002. Further details in relation to this scheme are given in the Severn Trent Plc group accounts.

k) Turnover

Turnover represents amounts invoiced for goods and services provided, excluding VAT.

**BIFFA WASTE SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 MARCH 2002**

**2 CASHFLOW STATEMENT AND RELATED PARTY DISCLOSURES**

The company is a wholly-owned subsidiary of Severn Trent Plc and is included in the consolidated financial statements of Severn Trent Plc, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cashflow statement under the terms of Financial Reporting Standard 1 (revised 1996). The company is also exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of the Severn Trent Plc group of companies or investees of the Severn Trent Plc group.

**3 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

The company's turnover and profit on ordinary activities before taxation is derived entirely from the collection, transport and disposal of industrial, commercial and domestic waste, with the majority of this being in the United Kingdom.

**4 INTEREST PAYABLE**

	2002	2001
	£000	£000
Interest payable on loans repayable within five years other than by instalments		
Bank overdraft	2,202	5,612
Other third party	8	35
Group undertakings	1,683	1,321
Finance leases	18	17
	<u>3,911</u>	<u>6,985</u>

**BIFFA WASTE SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 MARCH 2002**

**5 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

	2002 £000	2001 £000
After charging		
Depreciation of tangible fixed assets		
- landfill	9,114	7,428
- other owned	30,231	22,958
- other leased	27	90
Amortisation of goodwill	154	145
Operating lease charges	2,847	3,397
Amounts paid to auditors:		
- As auditors	94	102
- Non audit work	7	1
	<u>=====</u>	<u>=====</u>

**6 EMPLOYEES**

	2002 £000	2001 £000
Staff costs during the year		
Wages and salaries	76,038	58,997
Social security costs	6,224	6,565
Other pension costs (note 20)	6,958	3,862
	<u>=====</u>	<u>=====</u>
	89,220	69,424

	Number	Number
The average monthly number of persons (including executive directors) employed by the company during the year was:		
Full time employees	3,265	2,768
Part time employees	43	38
	<u>=====</u>	<u>=====</u>
	3,308	2,806

**BIFFA WASTE SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 MARCH 2002**

**6 EMPLOYEES (CONTINUED)**

	2002 £000	2001 £000
Directors' remuneration		
Aggregate emoluments	1,428	1,464

One director exercised share options in the year (2001: no directors). Eight directors (2001: four) became entitled to receive shares under long-term incentive schemes during the year. Retirement benefits are accruing to eight directors (2001: eight) under defined benefit schemes.

	2002 £000	2001 £000
Highest paid director		
Aggregate emoluments	282	273
Defined benefit pension scheme		
Accrued pension at end of year	88	77

The highest paid director did not exercise share options but did receive shares under long-term incentive schemes during the year.

**BIFFA WASTE SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 MARCH 2002**

**7 TAXATION ON PROFIT ON ORDINARY ACTIVITIES**

	2002	2001
	£000	Restated £000
Current tax:		
UK Corporation tax at 30% - Current year	-	4,723
- Prior year	1	-
Group relief at 30% - Current year	13,361	3,767
- Prior year	-	(2,266)
Total current tax	<u>13,362</u>	<u>6,224</u>
Deferred tax:		
Originating and reversal of timing differences - Current year	(395)	6,947
Total deferred tax	<u>(395)</u>	<u>6,947</u>
Total tax charge	<u>12,967</u>	<u>13,171</u>



**BIFFA WASTE SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 MARCH 2002**

**7 TAXATION ON PROFIT ON ORDARY ACTIVITIES (CONTINUED)**

The tax is assessed for the period is higher than the standard rate of corporation tax In the UK (30%). The differences are explained below:

	2002 £	2001 £
Profit on ordinary activities before tax	26,985	16,397
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	8,096	4,919
Effects of:		
Expenses not deductible for tax purposes	7,778	1,480
Capital allowance for period in excess of depreciation	1,001	(7,053)
Utilisation of/movement in short term timing differences	(606)	106
Adjustment to tax charges in respect of prior periods	(2,907)	6,772
	<u>13,362</u>	<u>6,224</u>

**8 DIVIDENDS**

	2002 £000	2001 £000
Equity – ordinary		
First interim paid: 5.00p (2001: 4.36p) per £1 share	5,178	4,519
Second interim paid: 5.31p (2001: 4.82p) per £1 share	5,500	5,000
	<u>10,678</u>	<u>9,519</u>

**BIFFA WASTE SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 MARCH 2002**

**9 TANGIBLE FIXED ASSETS**

	Land & buildings £000	Landfill sites £000	Plant, vehicles & equipment £000	Total £000
Cost or valuation				
At 1 April 2001	28,522	103,687	272,043	404,252
Additions	283	6,543	26,492	33,318
Intra-group transfer	-	714	151	865
Disposals	(1,350)	-	(38,006)	(39,356)
Reallocations	1,308	-	(1,308)	-
At 31 March 2002	<u>28,763</u>	<u>110,944</u>	<u>259,372</u>	<u>399,079</u>
Depreciation				
At 1 April 2001	7,663	47,851	155,404	210,918
Charge for the year	633	9,114	29,625	39,372
Intra-group transfer	-	714	111	825
Disposals	(456)	-	(37,248)	(37,704)
Reallocations	179	-	(179)	-
At 31 March 2002	<u>8,019</u>	<u>57,679</u>	<u>147,713</u>	<u>213,411</u>
Net book value				
At 31 March 2002	<u>20,744</u>	<u>53,265</u>	<u>111,659</u>	<u>185,668</u>
At 31 March 2001	<u>20,859</u>	<u>55,836</u>	<u>116,639</u>	<u>193,334</u>

The net book value of tangible fixed assets includes £5,000 (2001: £33,000) in respect of assets held under finance leases.

**BIFFA WASTE SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 MARCH 2002**

**9 TANGIBLE FIXED ASSETS (Continued)**

Certain of the company's freehold and long leasehold land and buildings were revalued on the basis of an open market valuation for existing use at 31 March 2000. Had these assets not been revalued land and buildings cost would have been £28,107,000 (2001: £27,866,000), accumulated depreciation would have been £7,998,000 (2001: £7,643,000) and net book value would have been £20,109,000 (2001: £20,223,000).

The company will not in future continue to revalue fixed assets but as allowed under the transitional arrangements of Financial Reporting Standard 15, Tangible Fixed Assets will continue to hold these assets at their historically revalued amount.

Cost or valuation at 31 March 2002 is represented by:-

	Land & buildings £000	Landfill sites £000	Plant, vehicles & equipment £000	Total £000
Cost	26,859	110,944	259,372	397,175
1990 Valuation	1,904	-	-	1,904
	<u>28,763</u>	<u>110,944</u>	<u>259,372</u>	<u>399,079</u>

Land and buildings and landfill sites at net book value comprise:

	2002		2001	
	Land & buildings £000	Landfill sites £000	Land & buildings £000	Landfill sites £000
Freehold	12,641	43,733	12,091	43,792
Long leasehold	7,521	7,628	8,241	8,356
Short leasehold	582	1,904	527	3,688
	<u>20,744</u>	<u>53,265</u>	<u>20,859</u>	<u>55,836</u>

**Capital commitments**

	2002 £000	2001 £000
Capital expenditure contracted but not provided for at the year end	<u>7,946</u>	<u>6,356</u>

**BIFFA WASTE SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 MARCH 2002**

**10 INTANGIBLE ASSETS**

	£000
Goodwill:	
Cost	
At 1 April 2001	2,887
Acquired during year	925
	<hr/>
At 31 March 2002	3,812
	<hr/>
Accumulated amortisation	
At 1 April 2001	260
Charge for the year	154
	<hr/>
At 31 March 2002	414
	<hr/>
Net book value	
At 31 March 2002	3,398
	<hr/>
At 31 March 2001	2,627
	<hr/>

Goodwill arose during the year on the acquisition of the trade and assets of two businesses. This goodwill is being amortised on a straight line basis over 20 years being the period by which the directors estimate that the values of the underlying businesses acquired are expected to exceed the value of the underlying assets.

The impact of these acquisitions on the result for the year is not material.

**11 INVESTMENTS**

	Shares £000	Loans £000	Total £000
Investment in joint venture at cost			
At 1 April 2001	1	801	802
Loans repaid	-	(549)	(549)
	<hr/>	<hr/>	<hr/>
At 31 March 2002	1	252	253
	<hr/>	<hr/>	<hr/>

The company owns 50% of the share capital of Biogeneration Limited. The remaining 50% is owned by PowerGen CHP Limited, a wholly owned subsidiary of PowerGen Plc. Biogeneration Limited's principal activity is the generation of electricity using methane produced by four of the company's landfill sites.

The company is not required to prepare consolidated financial statements because it is a wholly owned subsidiary of another company registered in England and Wales and its results are included in the financial statements of Severn Trent Plc.

**BIFFA WASTE SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 MARCH 2002**

**12 DEBTORS**

	2002	2001
	£000	£000
Amounts falling due within one year:		
Trade debtors	73,753	78,208
Amounts owed by group undertakings	3	47
Other debtors and prepayments	1,321	1,507
	<u>75,077</u>	<u>79,762</u>
Amounts falling due after more than one year:		
Other debtors and prepayments	3,213	3,362
	<u>78,290</u>	<u>83,124</u>

**13 CREDITORS**

	2002	2001
	£000	£000
Other amounts falling due within one year:		
Bank overdraft - unsecured	22,278	74,025
Trade creditors	13,842	17,579
Corporation tax	4,042	4,721
Lease obligations	106	169
Other taxes and social security	12,097	12,421
Accruals and deferred income	18,923	18,377
	<u>71,288</u>	<u>127,292</u>
Amounts falling due after one year:		
Lease obligations	<u>15</u>	<u>110</u>

The bank overdraft forms part of a group offset arrangement.

The lease obligations falling due after one year will mature before five years.

**BIFFA WASTE SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 MARCH 2002**

**14 PROVISIONS FOR LIABILITIES AND CHARGES**

	Land reinstatement & environmental £000	Deferred Tax £000	Total £000
At 1 April 2001 as previously stated	19,822	-	19,822
Prior year adjustment	-	1,386	1,386
At 1 April 2001 restated	19,822	1,386	21,208
Expense for the year	(4,207)	-	(4,207)
Charge to profit and loss account	4,739	(395)	4,344
Discount elimination	775	-	775
Transfers	(356)	-	(356)
At 31 March 2002	20,773	991	21,764

As part of its normal activities, the company undertakes to reinstate its landfill sites and to maintain the sites and control leachate and methane emissions from the sites. Provision is made for these anticipated costs. Reinstatement costs are incurred as each site is filled, and in the period immediately after its closure. Maintenance and leachate and methane control costs are incurred as each site is filled and for a number of years post closure.

Deferred taxation provided in the financial statements and the total unprovided (asset)/liability at 30% (2001: 30%) are as follows:

	Amount Provided		Amount Unprovided	
	2002	2001	2002	2001
	£000	£000	£000	£000
Accelerated capital allowances	3,769	4,770	-	-
Other timing differences	(2,778)	(3,384)	-	-
	991	1,386	-	-

**15 CONTINGENT LIABILITY**

Litigation is in progress relating to an odour nuisance claim at one of the company's landfill sites. The information usually required by FRS 12, "Provisions and contingent liabilities" is not disclosed on the grounds that it can be expected to prejudice the outcome of the dispute. The outcome of this dispute is uncertain, so no provision has been included in these financial statements. The directors are of the opinion that the resolution of this dispute will not materially affect the company's results.

**BIFFA WASTE SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 MARCH 2002**

**16 CALLED UP SHARE CAPITAL**

	2002	2001
	£000	£000
Authorised, allotted, called up and fully paid: 103,660,000 Ordinary shares of £1 each	103,660	103,660

**17 RESERVES**

	Revaluation Reserve	Profit & Loss Account (Deficit)
	£000	£000
At 1 April 2001 as previously stated	656	(30,984)
Prior year adjustment	-	(1,386)
At 1 April 2001 restated	656	(32,370)
Profit for the year	-	3,340
At 31 March 2002	656	(29,030)

The prior year adjustment relates to the implementation of FRS19 "Deferred Tax". The adoption of FRS19 has resulted in a decrease in the tax charge of £395K (increase 2001: £6,947K) and an increase in the profit on ordinary activities after taxation of £395K (decrease £2001: £6,947K).

The reserves available for distribution are £2,524,000 (2001: £3,809,000).

**18 RECONCILIATION OF THE MOVEMENTS IN SHAREHOLDERS' FUNDS**

	2002	2001
	£000	£000
Profit for the year	14,018	3,226
Dividend	(10,678)	(9,519)
	3,340	(6,293)
Opening shareholders' funds (originally £73,332K before deducting prior year adjustment £1,386K)	71,946	78,239
Closing shareholders' funds	75,286	71,946

**BIFFA WASTE SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 MARCH 2002**

**19 COMMITMENTS AND CONTINGENT LIABILITIES**

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

	2002		2001	
	Land & Buildings £000	Other £000	Land & Buildings £000	Other £000
Expiring within one year	88	439	82	458
Expiring between two and five years inclusive	293	1,100	39	1,148
Expiring in over five years	740	-	1,015	-
	<u>1,121</u>	<u>1,539</u>	<u>1,136</u>	<u>1,606</u>

The company has entered into bonds and guarantees in the normal course of business. No liability is expected to arise in respect of either bonds or guarantees.

**20 PENSION ARRANGEMENTS**

The company participates in a number of pension schemes. The principal schemes are the Severn Trent Water Pension Scheme and the UK Waste Pension Scheme (UKWPS).

- a) The Severn Trent Water Pension Scheme is operated by Severn Trent Plc. The scheme is of the defined benefit type and the assets are held in separate trustee administered funds. The latest actuarial valuation of the scheme was carried out at 31 March 2001. Particulars of this valuation of the scheme are contained in the financial statements of Severn Trent Plc.
- b) The UKWPS is primarily a defined benefits scheme but does provide benefits on a defined contribution basis for certain younger members. These members automatically join the defined benefits section on attaining age 40. The assets of the scheme are held in a trustee administered fund separate from the finances of the company. The company's funding policy is to contribute annually the minimum amount that can be contributed to maintain the scheme on an actuarially sound basis.



**BIFFA WASTE SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 MARCH 2002**

**20 PENSION ARRANGEMENTS (CONTINUED)**

The pension cost in respect of the UKWPS has been assessed in accordance with the advice of the independent actuaries, Bacon & Woodrow. The latest actuarial valuation of the UKWPS was as at 6 April 2001.

The attained age method of valuation was applied, as the scheme is closed to new entrants.

The results of this valuation were as follows:

	£000
Market value of assets	25,500
Present value of scheme liabilities	(29,400)
Deficit	<u>(3,900)</u>

The major assumptions used by the actuary were:

Price inflation	2.4%
Salary increases	3.9%
Pension increases	2.4%
Discount rate	6.0%

FRS 17 'Retirement Benefits' additional disclosures:

The most recent valuation of the scheme, details of which are provided above, have been updated by the group's actuaries so as to reassess the actuarial and the market values of the assets at 31 March 2002 in accordance with the requirements of FRS 17.

The weighted average of the major assumptions used by the actuary to calculate scheme liabilities under FRS 17 are:

	31 March 2002
Valuation method	Projected unit
Price inflation	2.5%
Salary increases	4.0%
Pension increases	2.5%
Discount rate	6.0%

**BIFFA WASTE SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 MARCH 2002**

**20 PENSION ARRANGEMENTS (CONTINUED)**

The assets and liabilities of the schemes and expected rates of return were:

	Long-term rate of return expected at 31 March 2002	31 March 2002 £000
Equities	8.2%	20,300
Gilts	5.2%	2,900
Property	6.2%	800
Cash	3.7%	1,300
Total market value of assets		25,300
Present value of scheme liabilities		(35,600)
Deficit in scheme before deferred tax		(10,300)

	Total (deficit)	Deferred tax asset	Total after deferred tax £000
Total	(10,300)	3,090	(7,210)

If the above amounts were recognised in the financial statements, the companies net assets and profit and loss reserve at 31 March 2002 would be as follows:-

	2002 Reserves £000	2002 Net assets £000
Excluding pension deficit	(29,030)	75,286
Deficit under FRS 17	(7,210)	(7,210)
Including pension deficit	(36,240)	68,076

The weighted average employer contribution rate (expressed as a percentage of pensionable payroll) was 13% in the year ended 31 March 2002 and has been increased to 20% from 1 April 2002.

The total pension cost for the company was £6,958,000 (2001: £3,862,000).

**BIFFA WASTE SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 MARCH 2002**

**21 ULTIMATE PARENT UNDERTAKING**

The immediate parent undertaking is Biffa Holdings Limited.

The ultimate parent undertaking and controlling party is Severn Trent Plc, which is the parent undertaking of the smallest and largest groups to consolidate these financial statements. Copies of Severn Trent Plc consolidated financial statements can be obtained from the Company Secretary at 2297 Coventry Road, Birmingham, B26 3PU.