Registered number: 01020153

SITA Southern Limited

Directors' report and financial statements

for the year ended 31 December 2012

SITA Southern Limited

Company Information

Directors	C Chapron D Palmer-Jones
Company secretary	J Knight
Company number	01020153
Registered office	SITA House Grenfell Road Maidenhead Berkshire SL6 1ES
Auditor	Mazars LLP Tower Bridge House St Katharine's Way London E1W 1DD

SITA Southern Limited

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SITA Southern 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 company's principal activity during the year was the provision of waste treatment and disposal facilities The company operates as part of the Treatment and Disposal division of the SITA Holdings UK Limited Group ("SITA Group"), the United Kingdom waste management business of GDF Suez SA

Business review

The company's key financial and other performance indicators during the year were as follows

	2012 £000	2011 £000	Change
Turnover	**1,394**	1,631	*-15%*
Operating profit	**(134)**	1,533	*-109%*
Profit after tax	**1,293**	903	*+43%*
Shareholders deficit	**(1,637)**	(2,930)	*+44%*
Current assets as % of current liabilities	**1,047%**	147%	

Turnover has decreased in 2012 due to the lower electricity sales from Fairoak The effect of this was partially negated by increased electricity revenue at Albury The decrease in operating profit is largely attributable to the impairment of a closed landfill site and one off favourable items in 2011

The company received dividend income in the year ended 31 December 2012 of £1,500,000 *(2011 - £Nil)*

Results and dividends

The profit for the year, after taxation, amounted to £1,293,000 *(2011 - £ 903,000)*

The directors do not recommend the payment of a dividend *(2011 - £nil)*

Directors

The directors who served during the year were

C Chapron
D Palmer-Jones

No director who held office on 31 December 2012 had an interest in the company's shares either during the financial year or at 31 December 2012

Directors' Indemnity

The company has granted indemnity to one or more of its directors against liabilities in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006 Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report

Future developments

The directors expect that the company will continue to trade profitably and at similar volumes for the foreseeable future

Going concern

The company's going concern is intrinsically linked to the performance, risks and going concern of the SITA Group The SITA group, along with its ultimate parent company GDF Suez SA, has considerable financial resources together with long term contracts with a number of customers across different geographic areas and within different sectors of the recycling industry As a consequence, the directors believe that the SITA group is well placed to manage its business risks successfully despite the current uncertain economic outlook

Having made enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts

Environmental impact

Our purpose is to protect our environment by putting waste to good use

A crucial element of this is ensuring that the vision of the circular economy – where the waste cycle can work with the economic cycle to return waste as a secondary resource back into production and consumption – becomes a reality and value is extracted from waste

In 2012 the SITA group
- recycled and recovered over 3 million tonnes of the materials we handled,
- generated over 800,000 megawatt-hours of electricity from our landfill gas and energy-from-waste facilities,
- successfully maintained and extended our accreditation to the Carbon Trust Standard, recognition of our commitment towards reducing our carbon footprint,
- produced over 100,000 tonnes of compost,
- reduced our GHG emissions produced by vehicles by 2% on the previous year, and
- increased renewable energy production by 12%

Principal risks and uncertainties

The SITA Group has established a risk committee that evaluates the main risks facing the Group and the measures in place to manage those risks The principal risks and uncertainties facing the Group are broadly grouped as operational risks, competitive risks, legislative risks, health and safety risks and financial instrument risks

Operational risks

The SITA Group's operations involve some major public sector contracts, ranging from periods of 7 to 25 years or more, where default on the contract may result in substantial compensation payments to the client

Long-term contracts also expose the Group to the risk that the contract's revenue profile over the life of the contract may not be sufficient to compensate the Group for unforeseen cost increases, and hence losses may result The Group has put in place rigorous tender approvals procedures to ensure all risks are properly considered The Group's management and review procedures are aimed at ensuring any problems are identified at an early stage and steps are taken to mitigate any losses arising

The success of the Group's operations is dependent upon the recruitment and retention of good quality staff The Group's strategy seeks to make the SITA Group the preferred employer in the waste management sector through its employment policies

Principal risks and uncertainties (continued)

Competitive risks

Part of the SITA Group's business involves contracts with local authorities which are subject to periodic competitive tender Renewal of these contracts is uncertain and based on financial and performance criteria

The remaining business relies upon short-term contracts and non-contractual business from industrial and commercial customers, which is subject to normal price competition in the open market

Legislative risks

The waste management business is subject to strict legislation and regulation These standards are subject to continuous revision Compliance with new standards can impose additional costs on the Group, and failure to comply could result in heavy penalties The Group's management systems aim to ensure compliance with all relevant regulations

Health and safety risks

The SITA Group acknowledges that its employees working within the waste management industry face significant potential hazards in their everyday work The Group makes every effort to ensure that its Health and Safety policies are of the highest standard, are fit for purpose and are strictly adhered to on a daily basis

Financial instrument risks

The Group has established a risk and financial management framework whose primary objectives are to protect the Group from events that hinder the achievement of the Group's performance objectives

Use of derivatives

On certain major contracts, the SITA Group uses interest rate swaps in respect of the related funding to reduce exposure to interest rate movements

Exposure to price, credit, liquidity and cash flow risk

Price risk arises on financial instruments because of changes in, for example, commodity prices or equity prices The Group's major joint venture and associated investments, which the Group does not intend to sell in the short-term, are held at net asset value and are therefore not exposed to price risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation Group policies are aimed at minimising such losses, and require that deferred terms are only granted to customers who demonstrate an appropriate payment history and satisfy credit worthiness procedures

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities Cash flow risk is the risk of exposure to variability of cash flows relating to a recognised asset or liability such as future interest payments on a variable rate debt The Group produces long-term cash forecasts and monitors cash flows against these on a daily basis to ensure all financial obligations may be met as they fall due Group funding requirements are periodically agreed with the Suez Group

SITA Southern Limited

Directors' report
for the year ended 31 December 2012

Statement of directors' responsibilities

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, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping 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

Provision of information to 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

Re-appointment of auditors

The re-appointment of auditors will be considered at the company's AGM

This report was approved by the board on September 25, 2013 and signed on its behalf

C Chapron
Director

Independent auditor's report to the shareholder of SITA Southern Limited

We have audited the financial statements of SITA Southern Limited for the year ended 31 December 2012, which comprise the Profit and loss account, the Balance sheet and the related notes 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)

Respective responsibilities of directors and auditor

As explained more fully in the Directors' responsibilities statement set out on page 4, 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 This report is made solely to the company's member 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 member 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 member for our audit work, for this report, or for the opinions we have formed

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www frc org uk/auditscopeukprivate

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

Independent auditor's report to the shareholder of SITA Southern 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

David Herbinet (Senior statutory auditor)
for and on behalf of
Mazars LLP
Chartered Accountants and Statutory Auditor
Tower Bridge House
St Katharine's Way
London
E1W 1DD
Date 30/09/2013

SITA Southern Limited

Profit and loss account
for the year ended 31 December 2012

	Note	2012 £000	*2011 £000*
Turnover	1,2	**1,394**	*1,631*
Cost of sales		**(1,363)**	*38*
Gross profit		**31**	*1,669*
Administrative expenses		**(165)**	*(136)*
Operating (loss)/profit	3	**(134)**	*1,533*
Income from shares in group undertakings		**1,500**	-
Interest receivable and similar income	5	**10**	*3*
Interest payable and similar charges	6	**(166)**	*(238)*
Profit on ordinary activities before taxation		**1,210**	*1,298*
Tax on profit on ordinary activities	7	**83**	*(395)*
Profit for the financial year	15	**1,293**	*903*

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 9 to 16 form part of these financial statements

SITA Southern Limited
Registered number: 01020153

Balance sheet
as at 31 December 2012

	Note	£000	2012 £000	*£000*	*2011 £000*
Fixed assets					
Tangible assets	8		1,508		*1,842*
Investments	9		12		*12*
			1,520		*1,854*
Current assets					
Debtors	10	2,000		*764*	
Creditors. amounts falling due within one year	11	(191)		*(518)*	
Net current assets			1,809		*246*
Total assets less current liabilities			3,329		*2,100*
Provisions for liabilities					
Deferred tax	12	(76)		*(71)*	
Other provisions	13	(4,890)		*(4,959)*	
			(4,966)		*(5,030)*
Net liabilities			(1,637)		*(2,930)*
Capital and reserves					
Called up share capital	14		143		*143*
Profit and loss account	15		(1,780)		*(3,073)*
Shareholders' deficit	16		(1,637)		*(2,930)*

The financial statements were approved and authorised for issue by the board and were signed on its behalf on September 25, 2013

C Chapron
Director

The notes on pages 9 to 16 form part of these financial statements

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 accounting standards

The company is itself a subsidiary company and is exempt from the requirement to prepare group accounts by virtue of section 400 of the Companies Act 2006 These financial statements therefore present information about the company as an individual undertaking and not about its group

At 31 December 2012, the company had net liabilities of £1,637,000 *(2011 £2,930,000)* The directors are of the opinion that the going concern basis continues to be the appropriate basis for the preparation of the financial statements as Suez Environment UK Limited has confirmed its intention and ability to provide such financial support as may be necessary to allow the company to continue to operate as a going concern and to meet all of its obligations in full for the next twelve months from the date of approval of these financial statements Suez Environment UK Limited, the company's ultimate UK parent company has also confirmed that the company will not be required to pay amounts due to other group undertakings unless the company has sufficient funds to pay other creditors in full

1 2 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

1.3 Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied Revenue is measured at fair value of the consideration received including landfill tax where appropriate, and exclusive of trade discounts, rebates, Value Added Tax and other sales taxes or duty

1.4 Investments

Investments held as fixed assets are shown at cost less provision for impairment

1.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases

Freehold property	-	50 years, straight line
Freehold property - landfill	-	On the basis of airspace used
Landfill engineering	-	On the basis of airspace used
Plant & machinery	-	3 - 10 years, straight line
Assets under construction	-	Depreciation commences upon completion of asset

1. Accounting policies (continued)

1.6 Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exception

- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the period in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

1.7 Provisions for environmental and landfill costs and landfill gas revenues

Provisions for environmental and landfill costs include provisions associated with the closure and post-closure of landfill sites The company estimates its total future requirements for closure costs and for post-closure monitoring and maintenance of the site after the anticipated closure

Closure costs
Provision is made for final capping and site inspection costs These costs are incurred during the operating life of the site and the company provides for these costs as the permitted airspace is used

Post closure costs
Provision is made for inspection, ground water monitoring, leachate management, methane gas control and recovery, and the operation and maintenance costs to be incurred during the period after the site closes

Post-closure provisions have been shown at net present value The current cost estimated has been inflated at 2 90% *(2011 - 3 10%)* and discounted by between 4 53% and 5 32% *(2011 - 4 04% and 5 58%)* The unwinding of the discount element is shown in the financial statements as a financial item

Future revenues from the generation of electricity from landfill gas during the post-closure period, where contracts are in place for its sale, are deducted from the provision balances and are discounted in line with the post-closure provision

The company provides for both closure and post-closure costs as the permitted airspace is used In accordance with Financial Reporting Standard 12 "Provisions, Contingent Liabilities and Contingent Assets", full provision has been made for the company's minimum unavoidable costs

2. Turnover

The whole of the turnover is attributable to the principal activity of the company being the provision of waste treatment and disposal facilities

All turnover arose within the United Kingdom

Notes to the financial statements
for the year ended 31 December 2012

3. Operating (loss)/profit

The operating (loss)/profit is stated after charging

	2012	*2011*
	£000	*£000*
Depreciation of tangible fixed assets		
- owned by the company *	415	*125*

* 2012 includes an impairment charge of £281,000 *(2011 - £NIL)*

For the year ending 31 December 2012 and the prior year, auditors' remuneration was borne by a fellow group company

4. Staff costs

The company has no employees other than the directors, who did not receive any remuneration *(2011 - £NIL)* for services to this company

5 Interest receivable

	2012	*2011*
	£000	*£000*
Interest receivable from group companies	10	*3*

6 Interest payable

	2012	*2011*
	£000	*£000*
Discount on provisions	166	*238*

7. Taxation

	2012	*2011*
	£000	*£000*
Analysis of tax (credit)/charge in the year		
Current tax (see note below)		
UK corporation tax (credit)/charge on profit for the year	(11)	*306*
Adjustments in respect of prior periods	(77)	*53*
Total current tax	(88)	*359*
Deferred tax		
Origination and reversal of timing differences	3	*36*
Adjustments in respect of prior periods	2	*-*
Total deferred tax (see note 12)	5	*36*
Tax on profit on ordinary activities	(83)	*395*

7 Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than *(2011 - higher 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	1,210	*1,298*
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 24 5% *(2011 - 26 5%)*	296	*344*
Effects of		
Non-tax deductible amortisation of goodwill and impairment	69	-
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	-	*2*
Capital allowances for year in excess of depreciation	2	*(3)*
Adjustments to tax charge in respect of prior periods	(77)	*53*
Short term timing difference leading to a decrease in taxation	(11)	*(37)*
Dividends from UK companies	(367)	-
Current tax (credit)/charge for the year (see note above)	(88)	*359*

Factors that may affect future tax charges

The UK corporation tax rate decreased from 26% to 24% from 1 April 2012 The impact on the current year's tax charge is shown above

Further reductions to the UK corporation tax rate have been announced that will have an effect on future tax charges The change in the corporation tax rate to 23% from 1 April 2013 had been enacted at the balance sheet date and the deferred tax balance has been adjusted to reflect this change (note 12) Further reductions in the rate to 21% from 1 April 2014 and to 20% from 1 April 2015 have now been announced but were not substantively enacted at the balance sheet date, and are therefore not recognised in these financial statements

8. Tangible fixed assets

	Freehold property £000	Plant & machinery £000	Assets under construction £000	Total £000
Cost				
At 1 January 2012	15,538	1,740	47	17,325
Additions	-	6	75	81
Disposals	(2,163)	-	-	(2,163)
Transfer between classes	-	122	(122)	-
At 31 December 2012	13,375	1,868	-	15,243
Depreciation				
At 1 January 2012	14,853	630	-	15,483
Charge for the year	-	134	-	134
On disposals	(2,163)	-	-	(2,163)
Impairment charge	281	-	-	281
At 31 December 2012	12,971	764	-	13,735
Net book value				
At 31 December 2012	404	1,104	-	1,508
At 31 December 2011	*685*	*1,110*	*47*	*1,842*

The net book value of land and buildings may be analysed as follows

	2012 £000	*2011 £000*
Landfill engineering	685	*685*

9. Fixed asset investments

	Investments in subsidiary companies £000	Investments in associates £000	Total £000
Cost or valuation			
At 1 January 2012 and 31 December 2012	594	12	606
Impairment			
At 1 January 2012 and 31 December 2012	594	-	594
Net book value			
At 31 December 2012	-	12	12
At 31 December 2011	-	*12*	*12*

9. **Fixed asset investments (continued)**

Joint venture undertaking

The company owns 50% of the ordinary share capital of Lidsey Landfill Limited This company operates a landfill site and is registered in England & Wales

Subsidiary undertaking

The company owns 100% of the issued share capital of Sandy Cross Sand Company Limited, a dormant company registered in England & Wales

10 **Debtors**

	2012 £000	*2011 £000*
Amounts owed by group undertakings	1,761	*505*
Corporation Tax	11	-
Prepayments and accrued income	228	*259*
	2,000	*764*

11. **Creditors:**
Amounts falling due within one year

	2012 £000	*2011 £000*
Corporation tax	-	*379*
Accruals and deferred income	191	*139*
	191	*518*

12 **Deferred taxation**

	2012 £000	*2011 £000*
At beginning of year	71	*35*
Charge for year	5	*36*
At end of year	76	*71*

The provision for deferred taxation is made up as follows

	2012 £000	*2011 £000*
Accelerated capital allowances	(285)	*(310)*
Other timing differences	209	*239*
	(76)	*(71)*

13. Provisions

	Environmental and landfill costs £000
At 1 January 2012	4,959
Additions	786
Amounts used	(968)
Change in assumptions	(53)
Unwinding of discount	166
At 31 December 2012	4,890

Environmental and landfill costs

The provision for environmental and landfill costs has been calculated in accordance with the accounting policy set out in note 1 7

14. Share capital

	2012 £000	*2011 £000*
Allotted, called up and fully paid		
143,000 ordinary shares of £1 each	143	*143*

15. Reserves

	Profit and loss account £000
At 1 January 2012	(3,073)
Profit for the year	1,293
At 31 December 2012	(1,780)

16. Reconciliation of movement in shareholders' deficit

	2012 £000	*2011 £000*
Opening shareholders' deficit	(2,930)	*(3,833)*
Profit for the year	1,293	*903*
Closing shareholders' deficit	(1,637)	*(2,930)*

17. Contingent liabilities

The company has provided unsecured guarantees to third parties in respect of restoration and performance bonds At 31 December 2012, guarantees outstanding amounted to £4,538,000 *(2011 - £4,638,000)*

Notes to the financial statements
for the year ended 31 December 2012

18. 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	-	*58*

19. Related party transactions

Under the provisions of Financial Reporting Standard 8, the company is not required to disclose details of related party transactions with Group entities as it is a wholly owned subsidiary, and the consolidated financial statements in which the company results are included are available to the public

20. Ultimate parent undertaking and controlling party

At the year end the ultimate parent undertaking was GDF Suez SA, a company incorporated in France

The largest group of which SITA Southern Limited is a member and for which group financial statements are drawn up is that headed by GDF Suez SA, whose consolidated financial statements are available from 1 Place Samuel de Champlain, Faubourg de l'Arche, 92930 Paris la Defense, Cedex, France The smallest such group is that headed by SITA Holdings UK Limited, a company registered in England & Wales The consolidated financial statements of the SITA Holdings UK Limited Group may be obtained from SITA House, Grenfell Road, Maidenhead, Berkshire, SL6 1ES

In the opinion of the directors, SITA Holdings UK Limited controls the company as a result of controlling 100% of the issued share capital of SITA Southern Limited At the year end GDF Suez SA was the ultimate controlling party, being the ultimate controlling party of SITA Holdings UK Limited