

Registered No: 1190039

Safety-Kleen UK Limited
Annual report
for the 52 week period ended 28 December 2002



Safety-Kleen UK Limited

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Directors and advisors

Directors

H K Bielsky
S C Brain
C Caswell
W Tarasenko
N Thornback

Secretary

W Tarasenko

Registered office

Safety-Kleen House
390 London Road
Isleworth
Middlesex
TW7 5AN

Auditors

PricewaterhouseCoopers LLP
9 Greyfriars Road
Reading
RG1 1JG

Directors' report for the 52 week period ended 28 December 2002

The directors present their annual report and the audited financial statements of the company for the 52 weeks ended 28 December 2002.

Principal activity

The principal activity of the company continues to be the servicing of cleaning equipment and the collection of waste in the United Kingdom.

Review of business and future developments

The directors consider the performance for the year to be satisfactory and expect the level of activity to continue on a similar basis.

On 6 January 2003 the company acquired the trade and assets of Midland Degreasing Systems Limited, a company which undertakes similar activities.

Results and dividends

The company's profit for the financial year is £4,686,000 (2001: £4,273,000).

The directors do not recommend the payment of a dividend (2001: £2,500,000).

£4,686,000 (2001: £1,773,000) has been taken to reserves.

Directors and their interests

The directors who served throughout the period, unless otherwise stated, are shown below:

H K Bielsky	
S C Brain	(appointed 1 January 2002)
C Caswell	(appointed 7 October 2002)
W Tarasenko	
N Thornback	

The directors do not have any interests in the shares of the company. Their interests in the shares of Safety-Kleen Europe Limited are disclosed in the financial statements of that company.

Employees

The company places considerable value on the involvement of its employees at all levels with the aim of ensuring that views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and the company as a whole.

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

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 policies have been used and applied consistently with the exception of the changes arising on the adoption of new accounting standards in the year as explained on page 7 under Note 1 'Accounting policies'. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the period ended 28 December 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.

On behalf of the Board

W Tarasenko
Director

4 September 2003

Independent auditors' report to the members of SafetyKleen UK Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet 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 into 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 at 28 December 2002 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Reading

4 September 2003

Profit and loss account for the 52 week period ended 28 December 2002

		2002	2001
Continuing operations	Note	£'000	£'000
Turnover	3	35,918	35,475
Cost of sales		(26,721)	(25,261)
Gross profit		9,197	10,214
Administrative expenses		(3,934)	(4,059)
Operating profit		5,263	6,155
Interest payable and similar charges	4	(16)	(44)
Profit on ordinary activities before taxation	5	5,247	6,111
Tax on profit on ordinary activities	8	(561)	(1,838)
Profit for the financial period		4,686	4,273
Dividends paid and payable		-	(2,500)
Retained profit for the financial period	18	4,686	1,773

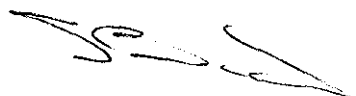
There are no material differences between the profit on ordinary activities before taxation and the retained profit for the financial period stated above and their historical cost equivalents.

There are no recognised gains or losses during the period other than the gains shown above and therefore no separate statement of total recognised gains and losses has been presented.

Balance sheet as at 28 December 2002

	Note	2002 £'000	2001 £'000
Fixed assets			
Intangible assets	9	2,319	2,541
Tangible assets	10	15,163	16,392
Investments	11	2,749	2,749
		20,231	21,682
Current assets			
Stocks	12	1,755	1,832
Debtors - Amounts due within one year	13	12,235	10,086
- Amounts due more than one year	13	13,237	8,104
Cash at bank and in hand		35	163
		27,262	20,185
Creditors - Amounts falling due within one year	14	(18,001)	(15,842)
Net current assets		9,261	4,343
Total assets less current liabilities		29,492	26,025
Creditors - Amounts falling due after more than one year	15	(283)	(802)
Provisions for liabilities and charges	16	(1,030)	(1,730)
Net assets		28,179	23,493
Capital and reserves			
Called-up share capital	17	10	10
Profit and loss account	18	28,169	23,483
Equity shareholders' funds	19	28,179	23,493

These financial statements on pages 5 to 16 were approved by the Board of Directors on [4 SEPTEMBER] and were signed on its behalf by: 2003



S Brain
Director

Notes to the financial statements for the 52 week period ended 28 December 2002

1 Accounting policies

These financial statements are prepared on the going concern basis under the historical cost convention, and in accordance with the Companies Act 1985 and applicable accounting standards. The principal accounting policies are set out below:

Changes in accounting policies

The company has adopted FRS 19 'Deferred tax', in the financial statements. The adoption of this new standard has had no impact on the comparative figures.

The company has elected not to adopt FRS 17 'Retirement benefits' early. The transitional arrangements do not have any impact on these financial statements.

Financial year

The financial statements are made up to the Saturday nearest to 31 December each year. Periodically this results in a financial year of 53 weeks.

Intangible fixed assets

Intangible assets are stated at cost less accumulated amortisation.

The company has capitalised goodwill relating to the purchase of businesses acquired. Such goodwill is amortised over a period of between ten and twenty years, being the period over which the directors consider that benefits will arise.

The company has capitalised goodwill relating to the purchase of licences, patents and customer lists. Such goodwill is amortised over a period of ten years.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Freehold Land and Buildings	2.5%
Leasehold improvements	10%
Machinery and Equipment	4% - 20%
Equipment at Customers	4% - 20%
Motor vehicles	10% - 50%

Investments

Investments are stated at cost as designated by the parent company, less any provision for impairment. The company is wholly owned by Safety-Kleen Europe Limited and is included in the consolidated financial statements of that company. Hence the company is exempt under s228 Companies Act 1985 from producing consolidated financial statements.

Stock

Solvent, goods for resale, spare parts and accessories are stated at the lower of cost and net realisable value. Provision is made for obsolete, slow moving or defective items where appropriate.

Government grants

Government grants relating to fixed assets are reported as deferred income and amortised over the expected useful life of the asset concerned.

Deferred taxation

Deferred taxation is recognised on all timing differences where the transactions or events that give rise to an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted by the balance sheet date. Deferred tax assets and liabilities are not discounted.

Foreign currency

Normal trading activities denominated in foreign currencies are recorded in sterling at exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the period-end are reported at the rates of exchange prevailing at the period-end. Any gain or loss arising from change in exchange rates subsequent to the date of the transaction is reported as an exchange gain or loss in the profit and loss account.

Turnover

Turnover comprises the value of sales (excluding VAT and trade discounts) of goods and services provided in the normal course of business.

Pension costs

The group, for which the company is part, operates a defined contribution scheme. Contributions are charged to the profit and loss account as they become payable.

Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are spread on a straight-line basis over the lease term, or, if shorter than the full lease term, over the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

2 Cash flow statement and related party disclosures

The company is a wholly owned subsidiary of Safety-Kleen Europe Limited, and is included in the consolidated financial statements of that company.

Consequently the company has taken advantage of the exemption from preparing a cashflow statement under the terms of FRS 1 'cashflow statements'. The company is also exempt under the terms of FRS 8 'Related party disclosures' from disclosing related party transactions with other companies that are part of the Safety-Kleen Europe Limited group.

3 Segmental reporting

Contribution to turnover was as follows:

	2002	2001
	£'000	£'000
Servicing of cleaning equipment	23,341	22,355
Sale of allied products	3,426	3,796
Collection of waste	9,151	9,324
	35,918	35,475

The company's business is carried out entirely in the United Kingdom.

4 Interest payable and similar charges

	2002	2001
	£'000	£'000
On bank loans	16	41
Hire purchase	-	3
	16	44

5 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging/(crediting):

	2002 £'000	2001 £'000
Amortisation of government grant	(59)	(59)
Depreciation of tangible fixed assets		
- owned assets	2,412	2,466
- leased assets	-	31
Amortisation of intangible fixed assets	222	219
Foreign exchange (gain)/loss	(24)	75
Profit on disposal of fixed assets	(20)	(25)
Operating lease rentals		
- Hire of plant and machinery	855	826
- Other	941	883
Auditors' remuneration		
- audit fees	55	40
- other services	35	38

6 Employee information

Employee costs during the financial period amounted to:

	2002 £'000	2001 £'000
Wages and salaries	9,708	9,984
Social security costs	968	720
Other pension costs	587	749
	11,263	11,453

The average monthly number of persons employed by the company during the year was:

By activity	2002 Number	2001 Number
Sales	316	329
Administration	52	60
Recycling	63	71
	431	460

7 Directors emoluments

The services of the current directors are paid by Safety-Kleen Europe Limited and are disclosed in the accounts of that company. It is not practical to allocated their remuneration to subsidiary undertakings.

8 Tax on profit on ordinary activities

	2002 £'000	2001 £'000
Current tax:		
UK corporation tax at 30% (2001: 30%)	1,999	1,838
Prior period corporation tax	(738)	-
Total current tax	1,261	1,838
Deferred tax:		
Origination and reversal of timing differences	(700)	-
Total deferred tax	(700)	-
Tax on profit on ordinary activities	561	1,838

The tax assessed for the period differs to the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2002 £'000	2001 £'000
Profit on ordinary activities before tax	5,247	6,111
Profit on ordinary activities multiplied by standard rate in the UK 30% (2001: 30%)	1,574	1,833
Effects of:		
Expenses not deductible for tax purposes	207	64
Timing differences	218	(59)
Prior period adjustment	(738)	-
	1,261	1,838

9 Intangible fixed assets

	Goodwill £'000
Cost	
At 29 December 2001 and 28 December 2002	3,410
Amortisation	
At 29 December 2001	(869)
Charge	(222)
At 28 December 2002	(1,091)
Net book amount	
At 28 December 2002	2,319
At 29 December 2001	2,541

10 Tangible fixed assets

	Freehold land and buildings £'000	Leasehold improvements £'000	Machinery and equipment £'000	Equipment at customers £'000	Motor vehicles £'000	Total £'000
Cost						
At 29 December 2001	9,637	2,520	9,561	11,350	3,757	36,825
Additions	73	72	56	1,731	39	1,971
Disposals	-	-	-	-	(559)	(559)
Write offs	-	-	-	(583)		(583)
Intercompany transfer	-	-	-	(416)	-	(416)
At 28 December 2002	9,710	2,592	9,617	12,082	3,237	37,238
Depreciation						
At 29 December 2001	(2,831)	(1,745)	(6,982)	(5,904)	(2,971)	(20,433)
Charge	(254)	(218)	(572)	(1,018)	(350)	(2,412)
Disposals	-	-	-	-	542	542
Write offs	-	-	-	228	-	228
At 28 December 2002	(3,085)	(1,963)	(7,554)	(6,694)	(2,779)	(22,075)
Net book amount						
At 28 December 2002	6,625	629	2,063	5,388	458	15,163
At 29 December 2001	6,806	775	2,579	5,446	786	16,392

Included in the above net book amount are the following assets held under finance leases:

Machinery and equipment £nil (2001: £10,000)

Motor vehicles £nil (2001: £64,000)

Land and buildings are held at cost.

11 Fixed asset investments

	£'000
Cost and net book value	
29 December 2001 and 28 December 2002	2,749

This relates to the company's investment in Safety Micron Systems Limited, a dormant company incorporated in the United Kingdom.

The company owns 100% of Safety Micron System Limited's ordinary share capital.

The company is a wholly owned subsidiary undertaking of Safely-Kleen Europe Limited, in whose financial statements its results are consolidated. As such it is exempt from the requirements to prepare group accounts under Section 228 of the Companies Act 1985.

12 Stocks

The following are included in the value of stocks:

	2002 £'000	2001 £'000
Solvent for cleaning equipment	388	386
Spare parts and accessories	1,225	1,177
Goods for resale	142	269
	1,755	1,832

In the opinion of the directors the replacement cost of stocks is not significantly different from the above values.

13 Debtors

	2002 £'000	2001 £'000
Trade debtors	7,310	7,421
Amounts due from fellow group undertakings	16,830	10,160
Corporation tax recoverable	505	-
ACT recoverable	5	5
Prepayments and accrued income	822	604
	25,472	18,190

£13,237,000 (2001: £8,104,000) of 'Amounts due from fellow group undertakings' is due in more than one year.

14 Creditors – Amounts falling due within one year

	2002 £'000	Restated 2001 £'000
Bank loans and overdrafts	270	-
Trade creditors	2,681	2,454
Amounts due to group undertakings	11,944	9,676
Corporation tax	-	600
Other taxes and social security	1,687	1,444
Other creditors	254	706
Accruals and deferred income	1,165	962
	18,001	15,842

Amounts due to group undertakings are unsecured, interest free and repayable on demand. It includes £2,138,000 (2001: £1,235,000) payable for group relief.

The comparative amounts have been restated to more appropriately classify the items concerned. Trade creditors has been reduced by £408,000 (net) from £2,862,000. This is due to £568,000 which has been reclassified to Accruals and deferred income and £160,000 which was disclosed separately last year.

Other taxes and social security has been reduced by £360,000 from £1,804,000. This is due to a reclassification to other creditors.

15 Creditors – Amounts falling due after more than one year

	2002 £'000	2001 £'000
Amounts due to parent company	-	459
Accruals and deferred income		
- government grants	283	343
	283	802

16 Provisions for liabilities and charges

Provisions for liabilities and charges comprise deferred taxation.

	2002 £'000	2001 £'000
Deferred taxation is attributable to:		
Excess of tax allowances over book depreciation at 30%	1,030	1,730
	1,030	1,730

The movement on deferred taxation comprises:

	£'000
29 December 2001	1,730
Charged to profit and loss in respect of - other timing differences	(700)
28 December 2002	1,030

Deferred tax has been provided in full on all timing differences, since the directors expect that they will all reverse in the foreseeable future.

17 Called-up share capital

	2002 £'000	2001 £'000
Authorised		
Ordinary shares of £1 each	10	10
Allotted, called-up and fully paid		
Ordinary shares of £1 each	10	10

18 Reserves

	Profit and loss account £'000
At 30 December 2001	23,483
Retained profit for the financial period	4,686
At 28 December 2002	28,169

19 Reconciliation of movements in shareholders' funds

	2002 £'000	2001 £'000
Retained profit for the financial period	4,686	1,773
Shareholders' funds, beginning of financial period	23,493	21,720
Shareholders' funds, end of financial period	28,179	23,493

20 Financial commitments

At 28 December 2002 the company had annual commitments under non-cancellable operating leases for assets as follows:

	2002		2001	
	Land and buildings	Other	Land and buildings	Other
	£'000	£'000	£'000	£'000
Operating leases which expire:				
- within one year	8	278	53	42
- between two and five years	257	682	158	584
- after five years	668	-	423	-
	933	960	634	626

21 Contingent liabilities

The company has given guarantees of £2,159,000 (2001: £1,602,000). Included in the guarantees are performance bonds with the Environment Agency of £429,134 (2001: £290,790) an amount of £120,000 for deferred duty payments, an amount of £26,000 extended to a fellow subsidiary for shipments to the UK and a performance bond with Velva Liquids (North Shields) Limited of £250,000 (2001: £250,000).

22 Ultimate parent undertaking

The company is a subsidiary undertaking of Safety-Kleen Europe Limited, a company incorporated in Great Britain. Safety-Kleen Europe Limited represents the largest and the smallest group of which the company is a member and for which group accounts are prepared. The consolidated accounts can be obtained from Safety-Kleen Europe Limited, Safety-Kleen House, 390 London Road, Isleworth, Middlesex TW7 5AN.