

Registered number. 05934106

SITA Northumberland Limited

Directors' report and financial statements

for the period ended 31 March 2007

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SITA Northumberland Limited

Company information

Directors	C Dupont C Exford P Hall J Morton-Smith G Mayes I Sexton
Secretary	SITA UK Limited
Company number	05934106
Registered office	SITA House Grenfell Road Maidenhead Berkshire SL6 1ES
Auditors	Ernst & Young LLP One Bridewell Street Bristol BS1 2AA

SITA Northumberland Limited

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SITA Northumberland Limited

Directors' report for the period ended 31 March 2007

The directors present their report and the financial statements for the period ended 31 March 2007

Principal activities and review of business

The company was incorporated in 13 September 2006. On 1 April 2007 it commenced a contract with Northumberland County Council to provide waste management services for the recycling and disposal of the County's waste for a period of 30 years.

The directors are satisfied with the company's results for the period prior to commencement of operations.

Results and dividends

The loss for the period, after taxation, amounted to £158,000.

The directors do not recommend the payment of a dividend.

Directors

The directors who served during the period were:

C Dupont (appointed 20 November 2006)
C Exford (appointed 20 November 2006)
P Hall (appointed 20 November 2006)
J Morton-Smith (appointed 20 November 2006)
G Mayes (appointed 20 November 2006)
I Sexton (appointed 22 September 2006)

No director who held office on 31 March 2007 had an interest in the company's shares either during the financial year or at 31 March 2007.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual 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). The financial statements are required by law to 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,
- 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 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in England/Wales governing the preparation and dissemination of financial statements and other information included in Annual reports may differ from legislation in other jurisdictions.

SITA Northumberland Limited

**Directors' report
for the period ended 31 March 2007**

Provision of information to auditors

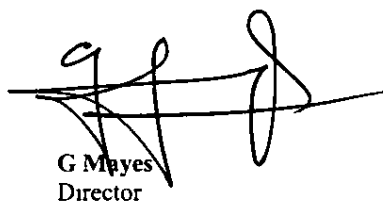
So far as each of the directors is aware at the time the report is approved

- there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

Auditors

The auditors, Ernst & Young LLP, will be proposed for reappointment in accordance with section 385 of the Companies Act 1985

This report was approved by the board on 18 April 2008 and signed on its behalf



G Mayes
Director

SITA Northumberland Limited

Independent auditors' report to the shareholders of SITA Northumberland Limited

We have audited the financial statements of SITA Northumberland Limited for the period ended 31 March 2007 which comprise the Profit and loss account, the Balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 Auditors' 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 auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the directors' report.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2007 and of its loss for the period then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements.



Ernst & Young LLP
Registered auditor
Bristol

18 April 2008

SITA Northumberland Limited

**Profit and loss account
for the period ended 31 March 2007**

	Note	Period ended 31 March 2007 £000
Administrative expenses		(144)
Operating loss		(144)
Interest payable	3	(14)
Loss on ordinary activities before taxation		(158)
Tax on loss on ordinary activities	4	-
Loss on ordinary activities after taxation		(158)

All amounts relate to continuing operations

There were no recognised gains and losses for 2007 other than those included in the Profit and loss account

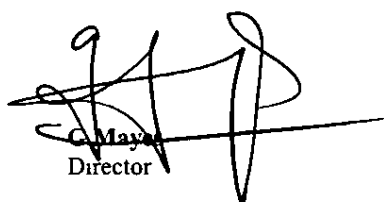
The notes on pages 6 to 9 form part of these financial statements

SITA Northumberland Limited

**Balance sheet
as at 31 March 2007**

	Note	£000	2007 £000
Fixed assets			
Intangible fixed assets	5		3,645
Tangible fixed assets	6		6,360
			<u>10,005</u>
Current assets			
Debtors	7	2,262	
Creditors: amounts falling due within one year	8	(587)	
		<u></u>	
Net current assets			1,675
			<u></u>
Total assets less current liabilities			11,680
Creditors: amounts falling due after more than one year	9		(11,828)
			<u></u>
Net liabilities			(148)
			<u></u>
Capital and Reserves			
Called up share capital	10		10
Profit and loss account			(158)
			<u></u>
Shareholders' deficit	11		(148)
			<u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 18 April 2008


C. Mayes
Director

The notes on pages 6 to 9 form part of these financial statements

**Notes to the financial statements
for the period ended 31 March 2007**

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

1.2 Cash flow

The company has taken advantage of the exemption in Financial Reporting Standard No 1 from the requirement to produce a cash flow statement on the grounds that it is a small company

1.3 Pre-contract costs

The company accounts for all pre-contract costs in accordance with UITF Abstract 34 'Pre-contract costs' Costs incurred by bidders and transferred to the company at the inception of the contract are recognised in the balance sheet and charged to the profit and loss account over the duration of the contract

1.4 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

Construction in progress	-	Depreciation to commence upon completion of the asset
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1.5 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 by 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 exceptions

- provision is made for tax gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding arrangement to dispose of the assets concerned However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold,
- 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 periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

2. Staff costs

The company has no employees other than the directors, who did not receive any remuneration

SITA Northumberland Limited

Notes to the financial statements for the period ended 31 March 2007

3. Interest payable

	Period ended 31 March 2007 £000
Other financial expenses	14

4. Taxation

	Period ended 31 March 2007 £000
UK corporation tax charge on loss for the period	-

Factors affecting tax charge for the period

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

	Period ended 31 March 2007 £000
Loss on ordinary activities before tax	(158)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	(47)
Effects of.	
Short term timing differences	(56)
Losses carried forward	103
Current tax charge for the period (see note above)	-

Factors that may affect future tax charges

The company has an unrecognised deferred tax asset at the year end of £47,000 The asset has not been recognised due to uncertainties as to the timing of its reversal during the start-up period of the company's business

5. Intangible fixed assets

	Pre-contract costs £000
Cost	
Additions	3,645
At 31 March 2007	3,645

SITA Northumberland Limited

**Notes to the financial statements
for the period ended 31 March 2007**

6. Tangible fixed assets

	Construction in progress £000
Cost	
Additions	6,360
At 31 March 2007	<u>6,360</u>
Depreciation	
At 13 September 2006 and 31 March 2007	<u>-</u>
Net book value	
At 31 March 2007	<u><u>6,360</u></u>

7. Debtors

	2007 £000
Other debtors	1,722
Prepayments and accrued income	540
	<u>2,262</u>

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

	2007 £000
Bank loans and overdrafts	54
Accruals and deferred income	533
	<u>587</u>

**9. Creditors:
Amounts falling due after more than one year**

	2007 £000
Bank loans	<u>11,828</u>

The bank loan comprises an Equity Bridge Loan of which is repayable on the earlier of six months after completion of the company's Energy-from-Waste facility or 1 July 2010, and a Term Loan, which is repayable by six-monthly instalments between 30 September 2010 and 31 March 2033. Interest is payable at a margin above LIBOR. The loan is secured by a fixed and floating charge over the company's present and future assets.

SITA Northumberland Limited

Notes to the financial statements for the period ended 31 March 2007

10. Share capital

	2007 £000
Authorised, allotted, called up and fully paid	
10,000 ordinary shares of £1 each	10

1 £1 ordinary share was issued in 13 September 2006 on incorporation of SITA Northumberland Limited 9,999
£1 ordinary shares were issued on 19 December 2006 in preparation for commencement of operations

11. Reconciliation of movement in shareholders' deficit

	2007 £000
Opening shareholders' funds	-
Loss for the period	(158)
Shares issued during the period	10
Closing shareholders' deficit	(148)

12. Related party transactions

During the period the company has capitalised £2,700,000 in bid costs recharged by SITA UK Limited. SITA UK Limited also charged the company £798,447 in respect of project management and planning fees, which have been capitalised as part of 'Construction in progress'. At the year end £374,876 is included in accruals relating to amounts owed by the company to SITA UK Limited.

The company also capitalised £1,858,541 of investment, financing arrangement and structuring fees charged by Royal Bank of Scotland. The company received interest on bank deposits with Royal Bank of Scotland of £7,660. At the year end the balance on the company's bank account with Royal Bank of Scotland was an overdraft of £54,118.

The company was charged £194,204 in interest charges and £247 in bank charges by Royal Bank of Scotland at normal market rates. An amount of £143,403 was also charged in respect of commitment fees on unused loan facilities. At the year end, the loan balance with Royal Bank of Scotland was £13,172,964.

13. Ultimate parent undertaking and controlling party

The company's immediate parent undertaking is SITA Northumberland Holdings Limited, a company registered in England and Wales.

SITA Northumberland Holdings Limited is owned and controlled by SITA UK Limited (42.5%), Royal Bank Project Investments Limited (42.5%) and AXA Infrastructure Investissement SAS (15%).