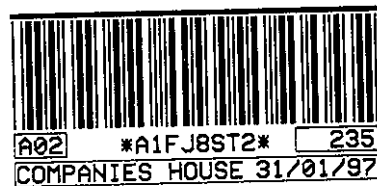


Landfill Management Limited

Directors' report and financial statements

31 March 1996

Registered number 2069821



Landfill Management Limited

Directors' report and financial statements

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Landfill Management Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 1996.

Principal activities

The principal activity of the company is that of providing refuse disposal services.

The company has been set up in accordance with the Environmental Protection Act 1990. The company is a wholly owned subsidiary of Wigan Metropolitan Borough Council. There are a number of operating agreements concerning the day to day activities of the company. These agreements include a contract for disposing of the domestic and trade waste arising in the Metropolitan Borough of Wigan.

Business review

The results for the year are set out on page 4 of these financial statements.

Proposed dividend and transfer to reserves

The directors do not recommend the payment of a dividend.

The profit for the year retained in the company is £232,221.

Significant changes in fixed assets

Information relating to changes in fixed assets is included in note 10 to the financial statements.

Directors and directors' interests

The directors who held office during the year were as follows:

| | |
|---------------|-------------|
| N Turner | (Chairman) |
| M Gallagher | |
| P Sawbridge | |
| MA McManus | (Secretary) |
| A Postlewaite | |

None of the directors who held office at the end of the financial year had any disclosable interest in the shares and debentures of the company.

Landfill Management Limited

Directors' report

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

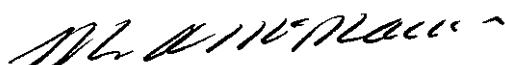
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare 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 maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



MA McManus
Secretary

New Town Hall
Library Street
Wigan
WN1 1YN



St James' Square
Manchester M2 6DS

Auditors' report to the members of Landfill Management Limited

We have audited the financial statements on pages 4 to 17.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

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 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

KPMG
Chartered Accountants
Registered Auditors



Landfill Management Limited

Profit and loss account

for the year ended 31 March 1996

| | Note | 1996 | | 1995 | |
|--|------|-------------|-------------|-------------|-------------|
| | | £ | £ | £ | £ |
| Turnover from continuing operations | 2 | | 3,324,787 | | 3,198,917 |
| Cost of sales | | | | | |
| Ongoing activities | | (2,822,078) | | (3,309,862) | |
| Exceptional | 6 | - | | (316,000) | |
| | | | (2,822,078) | | (3,625,862) |
| Gross profit/(loss) | | | 502,709 | | (426,945) |
| Administrative expenses | | | (186,950) | | (197,085) |
| Operating profit/(loss) from continuing operations | | | 315,759 | | (624,030) |
| Other interest receivable and similar income | 7 | | 58,619 | | 41,808 |
| Interest payable and similar charges | 8 | | (107,047) | | (62,571) |
| Profit/(loss) on ordinary activities before taxation | 2-8 | | 267,331 | | (644,793) |
| Tax on profit/(loss) on ordinary activities | 9 | | (35,110) | | - |
| Retained profit/(loss) for the financial year | | | 232,221 | | (644,793) |
| Retained loss brought forward | | | (720,038) | | (75,245) |
| Retained loss carried forward | | | (487,817) | | (720,038) |

There were no other gains or losses other than the profit for the current year and loss for the preceding year.

Landfill Management Limited

Balance sheet at 31 March 1996

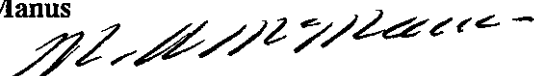
| | Note | 1996 | | 1995 | |
|--|------|--------------------|---|------------------|---|
| | | £ | £ | £ | £ |
| Fixed assets | | | | | |
| Tangible assets | 10 | 2,632,193 | | 1,412,906 | |
| Current assets | | | | | |
| Debtors | 11 | 2,042,775 | | 447,132 | |
| Special deposits | 12 | 139,433 | | 563,414 | |
| Cash at bank and in hand | | 713,269 | | 600,269 | |
| | | <u>2,895,477</u> | | <u>1,610,815</u> | |
| Creditors: amounts falling due within one year | 13 | <u>(1,851,803)</u> | | <u>(473,040)</u> | |
| Net current assets | | <u>1,043,674</u> | | <u>1,137,775</u> | |
| Total assets less current liabilities | | <u>3,675,867</u> | | <u>2,550,681</u> | |
| Creditors: amounts falling due after more than one year | 14 | (1,500,000) | | (686,811) | |
| Provisions for liabilities and charges | 15 | (1,543,682) | | (1,463,906) | |
| Net assets | | <u>632,185</u> | | <u>399,964</u> | |
| Equity capital and reserves | | | | | |
| Called up share capital | 17 | 1,120,002 | | 1,120,002 | |
| Profit and loss account | | (487,817) | | (720,038) | |
| Equity shareholders' funds | | <u>632,185</u> | | <u>399,964</u> | |

These financial statements were approved by the board of directors on 17.1.97 and were signed on its behalf by:

N Turner
Director



MA McManus
Director



Landfill Management Limited

Cash flow statement

for the year ended 31 March 1996

| | Note | 1996 £ | £ | 1995 £ | £ |
|--|------|-------------|-------------|-----------|-----------|
| Net cash inflow from operating activities | 18 | | 87,436 | | 784,685 |
| Return on investments and servicing of finance | | | | | |
| Interest received | | 65,995 | | 22,399 | |
| Interest paid | | (72,044) | | (50,389) | |
| Interest element of finance lease rental payments | | (5,601) | | (6,123) | |
| | | | | | |
| Net cash outflow from returns on investment and servicing of finance | | | (11,650) | | (34,113) |
| Tax paid | | | - | | - |
| Investing activities | | | | | |
| Purchase of tangible fixed assets | | (1,492,278) | | (207,519) | |
| Sale of tangible fixed assets | | 5,500 | | - | |
| | | | | | |
| Net cash outflow from investing activities | | | (1,486,778) | | (207,519) |
| Net cash (outflow)/inflow before financing | | | (1,410,992) | | 543,053 |
| Financing | | | | | |
| Debenture loan | 20 | 1,125,000 | | 143,125 | |
| Capital element of finance lease rental payments | 20 | (24,989) | | (23,905) | |
| | | | | | |
| Net cash inflow from financing | | | 1,100,011 | | 119,220 |
| | | | | | |
| (Decrease)/increase in cash and cash equivalents | 19 | | (310,981) | | 662,273 |

Landfill Management Limited

Reconciliation of movements in shareholders' funds *for the year ended 31 March 1996*

| | 1996 £ | 1995 £ |
|--|-----------------------|-----------------------|
| Profit/(loss) for the financial year | 232,221 | (644,793) |
| Net addition to/(reduction in) shareholders' funds | <u>232,221</u> | <u>(644,793)</u> |
| Opening shareholders' funds | 399,964 | 1,044,757 |
| Closing shareholders' funds | <u>632,185</u> | <u>399,964</u> |

Landfill Management Limited

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules. The basis of preparation assumes the continued support of Wigan Metropolitan Borough Council, the company's only shareholder and financier.

Fixed assets and depreciation

Depreciation is provided by the company to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

| | | |
|---|---|--------------------|
| Premium on leases | - | over life of asset |
| Plant and machinery | - | 15-25% per annum |
| Fixtures, fittings tools and equipment | - | 15-25% per annum |

Leases

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

Pensions and other post-retirement benefits

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

Restoration and after care provision

The company provides for its anticipated share of restorations costs and after care over the life of each landfill site.

Landfill Management Limited

Notes (continued)

1 Accounting policies (continued)

Taxation

The charge for taxation is based on the profit or loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the year and arose entirely within the United Kingdom.

2 Analysis of turnover and profit/(loss) on ordinary activities before taxation arises from the company's principal activity

Turnover and the profit/(loss) on ordinary activities before taxation are wholly attributable to the company's principal activity and arose entirely within the United Kingdom.

In both the current and preceding periods the company made no material acquisitions and had no discontinued activities.

3 Profit/(loss) on ordinary activities before taxation

| | 1996 £ | 1995 £ |
|---|-----------|-----------|
| <i>Profit/(loss) on ordinary activities before taxation is stated</i> | | |
| <i>after charging</i> | | |
| Auditors' remuneration: | | |
| Audit | 13,450 | 9,955 |
| Depreciation on tangible fixed assets: | | |
| Owned | 251,185 | 279,282 |
| Leased | 17,623 | 24,471 |
| Hire of plant and machinery - rentals payable under operating leases | 112,343 | 61,850 |
| | <hr/> | <hr/> |
| Loss/(profit) on sale of fixed assets | | |

The total amount charged to revenue for the hire of plant and machinery amounts to £135,567 (1995: £92,444). This comprises rentals payable under operating leases as well as depreciation on plant and machinery held under finance leases together with the related finance charges.

Landfill Management Limited

Notes (continued)

4 Remuneration of directors

| | 1996 £ | 1995 £ |
|----------------------------|-----------|-----------|
| Directors' emoluments: | | |
| As directors | 6,962 | 8,240 |
| Remuneration as executives | 2,825 | 11,225 |
| | <hr/> | <hr/> |

The emoluments, excluding pension contributions, of the Chairman were £184 (1995: £369) and those of the highest paid director were £2,825 (1995: £12,502).

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

| | Number of employees | |
|----------------------|---------------------|-------|
| | 1996 | 1995 |
| Administration | 9 | 8 |
| Waste disposal sites | 8 | 6 |
| Civic Amenity sites | 13 | 12 |
| | <hr/> | <hr/> |
| | 30 | 26 |
| | <hr/> | <hr/> |

The aggregate payroll costs of these persons were as follows:

| | 1996 £ | 1995 £ |
|-----------------------------------|-----------|-----------|
| Wages and salaries | 434,398 | 420,282 |
| Social security costs | 31,043 | 29,501 |
| Other pension costs (see note 21) | 19,039 | 16,695 |
| | <hr/> | <hr/> |
| | 484,480 | 466,478 |
| | <hr/> | <hr/> |

Landfill Management Limited

Notes (continued)

6 Exceptional

| | 1996 £ | 1995 £ |
|-------------|-----------|-----------|
| Exceptional | - | 316,000 |

The exceptional charge relates to a reassessment of restoration and aftercare provisions.

7 Other interest receivable and similar income

| | 1996 £ | 1995 £ |
|---------------|-----------|-----------|
| Bank interest | 58,619 | 41,808 |

8 Interest payable and similar charges

| | 1996 £ | 1995 £ |
|--|----------------|---------------|
| On bank loans, overdrafts and other loans wholly repayable within five years | 101,446 | 56,448 |
| Finance charges payable in respect of finance leases and hire purchase contracts | 5,601 | 6,123 |
| | <u>107,047</u> | <u>62,571</u> |

9 Taxation

| | 1996 £ | 1995 £ |
|---|-----------|-----------|
| UK Corporation tax at 25% (1995:Nil) on the profit/(loss) for the year on ordinary activities | 35,110 | - |

The inspector of taxes has questioned the allowability of a restoration provision amounting to £1,404,249 at 31 March 1996. The directors believe that this provision is allowable and therefore have treated these restoration costs as allowable in the calculation of the tax charge.

Landfill Management Limited

Notes (continued)

10 Tangible fixed assets

| | Land and buildings | Plant and machinery | Fixtures fittings, tools and equipment | Total |
|-----------------------|-----------------------|------------------------|---|-----------|
| | £ | £ | £ | £ |
| Cost | | | | |
| At beginning of year | 1,471,380 | 266,822 | 45,129 | 1,783,331 |
| Additions | 1,472,026 | 15,640 | 4,612 | 1,492,278 |
| Disposals | - | (11,353) | - | (11,353) |
| At end of year | 2,943,406 | 271,109 | 49,741 | 3,264,256 |
| Depreciation | | | | |
| At beginning of year | 240,845 | 119,211 | 10,369 | 370,425 |
| Charge for year | 208,101 | 52,085 | 8,622 | 268,808 |
| Disposals | - | (7,170) | - | (7,170) |
| At end of year | 448,946 | 164,126 | 18,991 | 632,063 |
| Net book value | | | | |
| At 31 March 1996 | 2,494,460 | 106,983 | 30,750 | 2,632,193 |
| At 31 March 1995 | 1,230,535 | 147,611 | 34,760 | 1,412,906 |

The net book value of land and buildings includes:

| | 1996 £ | 1995 £ |
|------------------------|-----------|-----------|
| Long leasehold premium | 1,034,500 | 1,034,500 |

Included in the total net book value is £10,041 (1995: £27,664) in respect of assets held under finance leases. Depreciation for the year on these assets was £ 17,623 (1995: £24,471).

Landfill Management Limited

Notes (continued)

11 Debtors

| | 1996 £ | 1995 £ |
|---------------|------------------|----------------|
| Trade debtors | 1,211,499 | 280,382 |
| Other debtors | 52,004 | 52,577 |
| Prepayments | 779,272 | 114,173 |
| | <u>2,042,775</u> | <u>447,132</u> |

All debtors fall due within one year.

The company entered into a new agreement with Wigan Metropolitan Borough Council during the year which has brought forward the completion of royalty payments to 1998 although the period to which the royalties relate remain to 31 March 2003. The effect of this is to create a payment in advance within prepayments and as the payment under the revised agreement had not been made at the end of the year it is also included within accruals. The revised agreement does not have any impact on the profit and loss account in this or succeeding periods.

12 Special deposits

| | 1996 £ | 1995 £ |
|------------------|----------------|----------------|
| Special deposits | 139,433 | 563,414 |
| | <u>139,433</u> | <u>563,414</u> |

These special deposits represent monies, under agreements with the Wigan Metropolitan Borough Council, placed on special deposit in anticipation of expenditure on restoration and environment impairment on landfill sites. Access to these funds is by authorised signature of both the company and Wigan Metropolitan Borough Council.

During the year it was agreed with Wigan Metropolitan Borough Council that the proportion of special deposits relating to the restoration fund were released to the company without restriction on their use. It was also agreed that no further sums would be required to be paid into that account up to the period ended 31 March 1999. This consent was granted on the condition that on or before 31 March 1999 cash is placed into the restoration fund equal to the sums that would have been accumulated in that account had these relaxations not been granted, with account being taken of sums expended by the company which would otherwise have been drawn from that account.

Landfill Management Limited

Notes (continued)

13 Creditors: amounts falling due within one year

| | 1996 | | 1995 | |
|---|---------|------------------|--------|----------------|
| | £ | £ | £ | £ |
| Debenture loan | | 400,000 | | 100,000 |
| Obligations under finance leases and hire purchase contracts | | 11,811 | | 17,613 |
| Trade creditors | | 101,052 | | 75,962 |
| Other creditors including taxation and social security: | | | | |
| Taxation and social security | 273,268 | | 45,754 | |
| Other creditors | 75,224 | | 71,206 | |
| | | <u>348,492</u> | | <u>116,960</u> |
| Accruals and deferred income | | 990,448 | | 162,505 |
| | | <u>1,851,803</u> | | <u>473,040</u> |

The debenture is secured by a fixed and floating charge over all present and future assets of the company.

14 Creditors: amounts falling due after more than one year

| | 1996 | 1995 |
|---|------------------|----------------|
| | £ | £ |
| Debenture loans | 1,500,000 | 675,000 |
| Obligations under finance leases and hire purchase contracts | - | 11,811 |
| | <u>1,500,000</u> | <u>686,811</u> |

The debenture is secured by a fixed and floating charge over all present and future assets of the company. Interest was charged at 8.5% in the year.

All creditors fall due within five years.

Landfill Management Limited

Notes (continued)

15 Provisions for liabilities and charges

| | Other provisions £ |
|--|--------------------------|
| At beginning of year | 1,463,906 |
| Charge for the year in the profit and loss account | 79,776 |
| At end of year | <u>1,543,682</u> |

The provisions include the company's share of the forecast costs of restoration and aftercare of landfill sites. These costs are shared with Wigan Metropolitan Borough Council who previously operated some of the sites in question. These provisions are based on management's best estimates. Given the changing legislative environment these estimates may require revision as events unfold.

The amounts unprovided in respect of deferred tax liabilities/(assets) are set out below:

| | 1996 | | 1995 | |
|--|---------------|-----------------|---------------|-----------------|
| | Provided £ | Unprovided £ | Provided £ | Unprovided £ |
| Difference between accumulated depreciation and amortisation and capital allowances | - | 4,508 | - | 6,810 |
| Other timing differences | - | (96,034) | - | (18,675) |
| | <u>-</u> | <u>(91,526)</u> | <u>-</u> | <u>(11,865)</u> |

16 Commitments

The capital commitments at the end of the financial year for which no provision has been made are as follows:

| | 1996 £ | 1995 £ |
|-------------------------------|-----------|------------------|
| Authorised but not contracted | - | 1,455,000 |
| | <u>-</u> | <u>1,455,000</u> |

Landfill Management Limited

Notes (continued)

17 Called up share capital

| | 1996 £ | 1995 £ |
|---|-----------|-----------|
| <i>Authorised</i> | | |
| Ordinary shares of £1 each | 1,120,002 | 1,120,002 |
| <i>Allotted, called up and fully paid</i> | | |
| Ordinary shares of £1 each | 1,120,002 | 1,120,002 |

18 Reconciliation of operating profit/(loss) to net cash inflow from operating activities

| | 1996 £ | 1995 £ |
|---|-------------|-----------|
| Operating profit/(loss) | 315,759 | (624,030) |
| Depreciation charge | 268,808 | 303,753 |
| Increase in debtors | (1,595,643) | (10,004) |
| Increase in creditors | 1,020,053 | 94,951 |
| Increase in provisions | 79,776 | 1,020,015 |
| Profit on sale of tangible fixed assets | (1,317) | - |
| Net cash inflow from operating activities | 87,436 | 784,685 |

19 Analysis of changes in cash and cash equivalents

| | Special deposits (see note 12) £ | Cash £ | Total £ |
|---------------------------|---|-----------|------------|
| Balance at 1 April 1994 | 333,000 | 168,410 | 501,410 |
| Net cash inflow | 230,414 | 431,859 | 662,273 |
| Balance at 31 March 1995 | 563,414 | 600,269 | 1,163,683 |
| Net cash (outflow)/inflow | (423,981) | 113,000 | (310,981) |
| Balance at 31 March 1996 | 139,433 | 713,269 | 852,702 |

Landfill Management Limited

Notes *(continued)*

20 Analysis of changes in financing during the year

| | Share capital | Loans and finance lease obligations |
|-------------------------------------|---------------|---|
| | £ | £ |
| Balance at 1 April 1994 | 1,120,002 | 685,205 |
| Debenture loan | - | 143,125 |
| Capital repayment of finance leases | - | (23,905) |
| Balance at 31 March 1995 | 1,120,002 | 804,425 |
| Debenture loan | - | 1,125,000 |
| Capital repayment of finance leases | - | (24,989) |
| Balance at 31 March 1996 | 1,120,002 | 1,904,436 |

21 Pension costs

The pension charge for the year represents contributions payable by the company to the independently administered fund which amounted to £ 19,039 (1995: £16,695). There were no outstanding or prepaid contributions at either the beginning or end of the year.

22 Ultimate holding organisation

Wigan Metropolitan Borough Council owns 100% of the share capital.