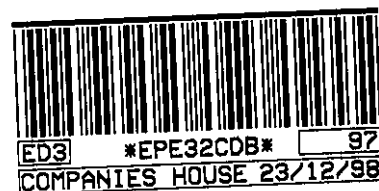


Landfill Management Limited

Directors' report and financial statements

31 March 1998

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 1998.

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 loss for the year retained in the company is £1,928,457 (1997: loss £180,616).

Directors and directors' interests

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

N Turner
MH Gallagher
PH Sawbridge
A Postlewaite
MP Honor (appointed 1 November 1997)
MA McManus (resigned 31 October 1997)

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.

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



AP Hardy
Secretary

The Investment Centre
Waterside Drive
Off Swan Meadow Road
Wigan
WN3 5BA

17 December 1998

Landfill Management Limited

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;
- 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.



Edward VII Quay
Navigation Way
Ashton-on-Ribble
PRESTON
PR2 2YF

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 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG
Chartered Accountants
Registered Auditors

17 December 1998

Landfill Management Limited

Profit and loss account

for the year ended 31 March 1998

	Note	1998 £	As restated 1997 £
Turnover from continuing operations	2	3,668,321	3,791,829
Cost of sales		(5,275,969)	(3,326,254)
Gross (loss)/profit		(1,607,648)	465,575
Administrative expenses		(249,410)	(233,466)
Operating (loss)/profit from continuing operations		(1,857,058)	232,109
Other interest receivable and similar income	6	43,336	34,868
Interest payable and similar charges	7	(114,735)	(158,550)
(Loss)/ profit on ordinary activities before taxation	2-7	(1,928,457)	108,427
Tax on (loss)/profit on ordinary activities	8	-	(289,043)
Retained loss for the financial year		(1,928,457)	(180,616)
Retained loss brought forward		(525,694)	(345,078)
Retained loss carried forward		(2,454,151)	(525,694)

The company has no recognised gains or losses in either the current or preceding year other than those reported above and therefore no separate statement of total recognised gains and losses has been presented.

A prior year adjustment of £193,128 has been made as a result of a change in accounting policy. The effect of this is shown in note 14.

Landfill Management Limited

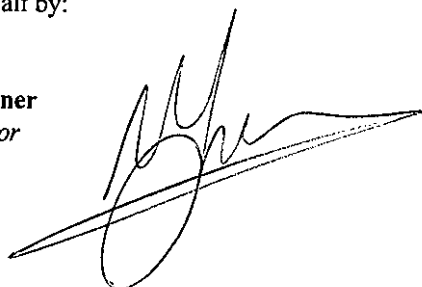
Balance sheet

at 31 March 1998

	Note	1998	As restated
		£	1997
		£	£
Fixed assets			
Tangible assets	9	1,358,663	2,184,894
Current assets			
Debtors	10	2,110,847	1,858,694
Special deposits	11	242,260	189,822
Cash at bank and in hand		272,721	490,923
		<u>2,625,828</u>	<u>2,539,439</u>
Creditors: amounts falling due within one year	12	(1,168,818)	(1,452,015)
Net current assets			
(Payable)/due within one year		411,517	(172,768)
Debtors due after one year	10	1,045,493	1,260,192
		<u>1,457,010</u>	<u>1,087,424</u>
Total assets less current liabilities		<u>2,815,673</u>	<u>3,272,318</u>
Creditors: amounts falling due after more than one year	13	(700,000)	(1,100,000)
Provisions for liabilities and charges	14	(3,449,822)	(1,578,010)
Net (liabilities)/assets		<u>(1,334,149)</u>	<u>594,308</u>
Equity capital and reserves			
Called up share capital	15	1,120,002	1,120,002
Profit and loss account		(2,454,151)	(525,694)
Equity shareholders' funds		<u>(1,334,149)</u>	<u>594,308</u>

These financial statements were approved by the board of directors on 17 December 1998 and were signed on its behalf by:

N Turner
Director



Landfill Management Limited

Cash flow statement

for the year ended 31 March 1998

	<i>Note</i>	1998 £	1997 £
Net cash inflow from operating activities	16	590,009	408,464
Returns on investments and servicing of finance	18	(76,678)	(112,896)
Taxation	18	(270,745)	(48,921)
Capital expenditure	18	(8,350)	(6,793)
		<u>234,236</u>	<u>239,854</u>
Management of liquid resources	18	(52,438)	(50,389)
		<u>181,798</u>	<u>189,465</u>
Financing	18	(400,000)	(411,811)
		<u>(218,202)</u>	<u>(222,346)</u>
Decrease in cash		<u><u>(218,202)</u></u>	<u><u>(222,346)</u></u>

Landfill Management Limited

Reconciliation of movements in shareholders' funds *for the year ended 31 March 1998*

	1998	1997
	£	As restated £
Loss for the financial year as previously reported	-	(231,005)
Prior year adjustment (note 14)	-	50,389
Loss for the financial year	(1,928,457)	(180,616)
Opening shareholders' funds as previously reported	401,180	632,185
Prior year adjustment (note 14)	193,128	142,739
Closing shareholders' funds as restated	(1,334,149)	594,308

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.

The nature of the company's operations is such that in the immediate future it will be able to meet its liabilities as they fall due. However, under the Environmental Protection Act it has liabilities extending beyond the closure of its sites and these liabilities require both to be provided in the accounts and ultimately funded as they fall due. The provision of these long term liabilities has resulted in the negative shareholders funds and in view of the relatively short remaining period of operation of the company's sites, which make it unlikely that sufficient revenue can be generated to build up sufficient funds to cover the long term liabilities, the majority shareholder has formally indicated its support so long as it remains the only shareholder.

Related party transactions

The directors have taken advantage of the exemption in FRS8, paragraph 3(c), and have not disclosed related party transactions with the parent undertaking.

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.

Landfill Management Limited

Notes (continued)

1 Accounting policies (continued)

Pensions

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.

Environmental impairment

The company had a policy of making each year a provision to cover the potential cost of gradually emerging environmental impairment. In addition as explained in note 11 monies were placed in a special deposit account to match this provision. Under *Financial Reporting Standard 12* which the company has chosen to adopt in advance of its mandatory date, this policy will no longer be applicable. Therefore, the accounting provision previously created has been released but the company continues to place monies in a special deposit in order both to reflect its agreement with Wigan Metropolitan Borough Council and also to help recognise its potential exposure to environmental impairment costs.

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 on ordinary activities before taxation

Turnover and the profit 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.

Landfill Management Limited

Notes (continued)

3 Profit on ordinary activities before taxation

	1998	1997
	£	£
<i>Profit on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Auditors' remuneration:		
Audit	5,000	6,000
Other services	2,450	7,000
Depreciation on tangible fixed assets:		
Owned	831,549	444,051
Leased	-	10,041
Hire of plant and machinery - rentals payable under operating leases	49,040	105,009
	<u> </u>	<u> </u>

The total amount charged to revenue for the hire of plant and machinery amounts to £49,040 (1997: £118,472). 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.

4 Remuneration of directors

	1998	1997
	£	£
Directors' emoluments:		
As directors	12,540	9,466
Remuneration as executives	9,139	16,318
	<u> </u>	<u> </u>

The emoluments of the highest paid director were £10,641 (1997: £16,318).

Landfill Management Limited

Notes (continued)

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 employee	
	1998	1997
Administration	10	9
Waste disposal sites	7	8
Civic Amenity sites	13	13
	<u>30</u>	<u>30</u>

The aggregate payroll costs of these persons were as follows:

	1998	1997
	£	£
Wages and salaries	475,502	467,843
Social security costs	35,146	35,067
Other pension costs (see note 20)	20,217	20,602
	<u>530,865</u>	<u>523,512</u>

6 Other interest receivable and similar income

	1998	1997
	£	£
Bank interest	43,336	34,868
	<u>43,336</u>	<u>34,868</u>

7 Interest payable and similar charges

	1998	1997
	£	£
Other loans wholly repayable within five years	114,735	133,967
Finance charges payable in respect of finance leases and hire purchase contracts	-	3,422
Interest on overdue corporation tax	-	21,161
	<u>114,735</u>	<u>158,550</u>

Landfill Management Limited

Notes (continued)

8 Taxation

	1998 £	1997 £
UK Corporation tax at 23% (1997:24%) on the profit for the year on ordinary activities	-	-
Adjustment relating to earlier years	-	289,043
	<u>-</u>	<u>289,043</u>

The 1997 adjustment relating to earlier years of £289,043 reflects the Inspector of Taxes' contention that certain provisions are only allowable for corporation tax purposes on a paid as opposed to a provided basis. While the directors maintain that their original contentions are correct, they have accepted the Inspector of Taxes' views in the interests of minimising cost to the company.

9 Tangible fixed assets

	Land and buildings £	Plant and machinery £	Fixtures fittings, tools and equipment £	Total £
Cost				
At beginning of year	2,945,494	271,109	54,446	3,271,049
Additions	-	40,000	2,850	42,850
Disposals	-	(127,640)	-	(127,640)
At end of year	<u>2,945,494</u>	<u>183,469</u>	<u>57,296</u>	<u>3,186,259</u>
Depreciation				
At beginning of year	848,548	208,629	28,978	1,086,155
Charge for year	803,420	17,597	10,532	831,549
On disposals	-	(90,108)	-	(90,108)
At end of year	<u>1,651,968</u>	<u>136,118</u>	<u>39,510</u>	<u>1,827,596</u>
Net book value				
At 31 March 1998	<u>1,293,526</u>	<u>47,351</u>	<u>17,786</u>	<u>1,358,663</u>
At 31 March 1997	<u>2,096,946</u>	<u>62,480</u>	<u>25,468</u>	<u>2,184,894</u>

The net book value of land and buildings includes:

	1998 £	1997 £
Long leasehold premium	<u>704,000</u>	<u>869,000</u>

Landfill Management Limited

Notes (continued)

10 Debtors

	1998 £	1997 £
Amounts falling due within one year		
Trade debtors	528,586	477,381
Other debtors	44,832	78,522
Prepayments	491,936	42,599
	<u>1,065,354</u>	<u>598,502</u>
Amounts falling due after more than one year		
Prepayments	1,045,493	1,260,192
	<u>2,110,847</u>	<u>1,858,694</u>

11 Special deposits

	1998 £	1997 £
Special deposits	242,260	189,822
	<u>242,260</u>	<u>189,822</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 1996 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 31 March 1999, or as quickly as cash flow will allow, 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. The cash due to be set aside in a special deposit account in respect of the restoration fund at 31 March 1998 was £1,398,255 (1997: £929,450).

Landfill Management Limited

Notes (continued)

12 Creditors: amounts falling due within one year

	1998		1997	
	£	£	£	£
Debenture loan		400,000		400,000
Trade creditors		119,095		104,936
Other creditors including taxation and social security:				
Taxation and social security	443,602		740,116	
Other creditors	62,310		48,020	
		505,912		788,136
Accruals and deferred Income		143,811		158,943
		<u>1,168,818</u>		<u>1,452,015</u>

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

13 Creditors: amounts falling due after more than one year

	1998	1997
	£	£
Debenture loan	700,000	1,100,000

The debenture is secured by a fixed and floating charge over all present and future assets of the company. Interest was charged at 8.9% in the year.

The debenture loan is payable by instalments within five years. It is to be repaid in 20 equal quarterly instalments commencing on 1 January 1996.

14 Provisions for liabilities and charges

	As restated Other provisions £
At beginning of year	1,771,138
Utilised during year	(113,728)
Prior year adjustment	(193,128)
Charge for the year in the profit and loss account	1,985,540
At end of year	<u>3,449,822</u>

Landfill Management Limited

Notes (continued)

14 Provisions for liabilities and charges (continued)

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 prior year adjustment is consequent upon the adoption of *Financial Reporting Standard 12* and represents the release of a provision created for environmental impairment.

Deferred tax

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

	1998		1997	
	Provided	Unprovided	Provided	Unprovided
	£	£	£	£
Difference between accumulated depreciation and amortisation and capital allowances	-	-	-	(176)
Other timing differences	-	-	-	5,305
	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,129</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,129</u>

15 Called up share capital

	1998	1997
	£	£
<i>Authorised</i>		
Ordinary shares of £1 each	1,120,002	1,120,002
<i>Allotted, called up and fully paid</i>	<u>1,120,002</u>	<u>1,120,002</u>
Ordinary shares of £1 each	<u>1,120,002</u>	<u>1,120,002</u>

16 Reconciliation of operating profit to operating cashflows

	1998	1997
	£	£
Operating (loss)/profit	(1,857,058)	232,109
Depreciation charge	831,549	454,092
(Increase)/decrease in debtors	(252,153)	182,596
Decrease in creditors	(7,173)	(637,400)
Increase in provisions	1,871,812	177,067
Loss on sale of tangible fixed assets	3,032	-
Net cash inflow from operating activities	<u>590,009</u>	<u>408,464</u>

Landfill Management Limited

Notes (continued)

17 Reconciliation of net cash flows to movement in net debt

	1998 £	1997 £
Decrease in cash in the year	(218,202)	(222,346)
Cash outflow from increase in debt and lease financing	(400,000)	(411,811)
Cash used to increase liquid resources	52,438	50,389
Change in net debt resulting from cash flows	(565,764)	(583,768)
Movement in net debt in the year	(565,764)	(583,768)
Net debt at 1 April 1997	2,180,745	2,764,513
Net debt at 31 March 1998	1,614,981	2,180,745

18 Gross cash flows

	1998 £	1997 £
Returns on investment and servicing of finance		
Bank interest received	43,336	36,352
Debenture interest paid	(120,014)	(145,826)
Interest element of finance lease rental payments	-	(3,422)
	(76,678)	(112,896)
Taxation		
Corporation tax paid	(270,745)	(48,921)
Capital expenditure		
Payments to acquire tangible fixed assets	(42,850)	(6,793)
Receipts from sales of tangible fixed assets	34,500	-
	(8,350)	(6,793)
Management of liquid resources		
Payments to 90 day deposits	(52,438)	(50,389)
Financing		
Debenture repayments	(400,000)	(400,000)
Capital element of finance lease rental payments	-	(11,811)
	(400,000)	(411,811)

Landfill Management Limited

Notes (continued)

19 Analysis of changes in net debt

	At 1 April 1997 £	Cash flows £	Other changes £	At 31 March 1998 £
Cash in hand, at bank	490,923	(218,202)	-	272,721
Special deposits	189,822	52,438	-	242,260
Debt due after 1 year	1,100,000	-	(400,000)	700,000
Debt due within 1 year	400,000	(400,000)	400,000	400,000
Total	<u>2,180,745</u>	<u>(565,764)</u>	<u>-</u>	<u>1,614,981</u>
Debt comprises debenture loans.				

20 Commitments

Annual commitments under non-cancellable operating leases in relation to plant and machinery are as follows:

	1998 £	1997 £
Operating leases which expire:		
In the second to fifth years inclusive	<u>49,040</u>	<u>49,040</u>

21 Pension costs

The pension charge for the year represents contributions payable by the company to the independently administered fund which amounted to £20,217 (1997: £20,602). 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.