

ARTHUR
ANDERSEN

ARTHUR ANDERSEN & CO, SC

Wessex Waste Management Limited

Accounts 31 December 1995

together with directors' and auditors' reports

Registered number: 2536345



Directors' report

For the year ended 31 December 1995

The directors present their annual report on the affairs of the company, together with the accounts and auditors' report, for the year ended 31 December 1995.

Directors' responsibilities

Company law requires the directors to prepare accounts for each financial period which 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 those accounts, 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 accounts; and
- prepare the accounts 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 which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts 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.

Principal activity and business review

The principal activity of the company is the searching for and development of business opportunities in the waste management industry in the United Kingdom.

The company does not generate revenues. The loss of the company attributable to ordinary shareholders was £1,504,000 (1994 - profit of £127,000).

The directors do not recommend the payment of a dividend for the year (1994 - £nil).

Directors' report (continued)

Directors and their interests

The directors who served during the year were:

L.M. Collier	(resigned 11 August 1995)
E.G. Falkman	
B.G.A. Gabrielson	(appointed 27 July 1995)
J. Holsten	(appointed 11 August 1995)
W.N. Hood	
C.F. Skellett	
N.A. Wheatley	
N. Wilson	(resigned 27 July 1995)

The directors who held office at 31 December 1995 do not have any interests required to be disclosed under Schedule 7 of the Companies Act 1985 other than those described below which comprise interests in the ordinary share capital of the parent company, Waste Management International plc ("shares").

	Number of shares as at:		Number of shares over which options were:	
	1 January 1995	31 December 1995	granted during the year	exercised during the year
E.G. Falkman	5,000	5,000	155,000	-
B.G.A. Gabrielson	300	300	61,500	-
J. Holsten	2,000	2,000	140,000	-
N. Wilson	-	-	80,000	80,000

The majority of the above options were granted on 26 April 1995 and are exercisable up to 25 April 2002 at an exercise price of 261.8p per share. A further 15,000 were granted to B.G.A. Gabrielson on 25 July 1995 and are exercisable up to 25 July 2002 at an exercise price of 296.0p per share.

Auditors

The directors will place a resolution before the Annual General Meeting to reappoint Arthur Andersen as auditors for the ensuing year.

Directors' report (continued)

Liability insurance for company officers

As permitted by the Companies Act 1985 (as amended), the company has maintained insurance cover for the directors against liabilities in relation to the company.

Gate House
Turnpike Road
High Wycombe
Bucks
HP12 3NR

By order of the Board,

A handwritten signature in black ink, appearing to be 'A. S. S. S. S.', written in a cursive style.

September 1996

Auditors' report

London

To the shareholders of Wessex Waste Management Limited:

We have audited the accounts on pages 5 to 11 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 1 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the company, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company at 31 December 1995 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen

Chartered Accountants and Registered Auditors

1 Surrey Street
London
WC2R 2PS

30 September 1996

Profit and loss account

For the year ended 31 December 1995

	Notes	1995 £'000	1994 £'000
Other operating expenses	6	(1,534)	-
Operating loss - continuing activities		(1,534)	-
Investment income	2	30	127
(Loss) profit on ordinary activities before tax, retained for the year	3	(1,504)	127
Accumulated deficit at beginning of year		(520)	(647)
Accumulated deficit at end of year		(2,024)	(520)

There are no recognised gains or losses in either year other than the profit for each year.

The accompanying notes are an integral part of this profit and loss account.

Balance sheet

31 December 1995

	Notes	1995 £'000	1994 £'000
Fixed assets			
Investments	4	240,745	220,011
Current assets			
Debtors	5	93,837	82,841
Deferred costs	6	-	1,483
Cash at bank and in hand		39	96
		93,876	84,420
Creditors: Amounts falling due within one year	7	(4,374)	(7,319)
Net current assets		89,502	77,101
Creditors: Amounts falling due after more than one year	8	(6,011)	(1,667)
Total assets less current liabilities, being net assets		324,236	295,445
Capital and reserves			
Called-up share capital	9	278,303	278,303
Other capital reserves	10	47,957	17,662
Profit and loss account		(2,024)	(520)
Total equity shareholders' funds	11	324,236	295,445

The financial statements on pages 5 to 11 were approved by the board of directors on 30 September 1996 and signed on its behalf by:

 Director

The accompanying notes are an integral part of this balance sheet.

Notes to accounts

31 December 1995

1 Statement of accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding year, is set out below.

a) *Basis of accounting*

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

b) *Investments*

Fixed asset investments are shown at cost less amounts written off. Provisions are made for permanent diminutions in value.

As permitted by Section 228 of the Companies Act 1985, the company has not prepared group accounts.

c) *Deferred costs*

Expenditure incurred on specific projects relating to prospective acquisitions and joint venture opportunities is carried forward when success can be foreseen with reasonable assurance.

d) *Taxation*

Corporation tax payable is provided on taxable profits at the current rate.

e) *Cash flow statements*

The company is exempt from the obligation to present a cash flow statement in accordance with Financial Reporting Standard No. 1, "Cash Flow Statements", since it is entitled to the exemptions available in sections 246 to 249 of the Companies Act 1985 for small companies.

2 Investment income

	1995 £'000	1994 £'000
Interest receivable and similar income	<u>30</u>	<u>127</u>

3 Loss (profit) on ordinary activities before tax

The average weekly number of persons employed by the company during the year was nil (1994 - nil).

No remuneration was paid to any director in connection with the management of the company during the year (1994 - £nil).

Auditors' remuneration was borne by other group undertakings.

Notes to accounts (continued)

4 Fixed asset investments

	1995 £'000	1994 £'000
Subsidiary undertakings	240,695	220,011
Associated undertaking	50	-
	<u>240,745</u>	<u>220,011</u>

Principal investments

The company has investments in the following principal subsidiary and associated undertakings, all of which are 100% owned, and registered in England and Wales unless otherwise stated:

Subsidiary undertaking	Principal activity
UK Waste Management Limited	Waste collection and disposal
Fempak Limited	Clinical waste collection
Waste Management Limited	Waste collection and disposal
SCS Contractors Limited	Municipal services
R.A. Johnson (Haulage) Limited	Non-trading
Clarfield Recycling Limited	Waste paper recycling
Waterblast Limited	Industrial cleaning
Tyneside Waste Paper Limited	Waste paper recycling
Interport Paper Company Limited	Waste paper recycling
Megastock Limited	Waste collection
B. Holmes (Graded Paper) Limited	Waste paper recycling
W.R. Pollard & Sons Limited	Waste paper recycling
First Waste Limited	Dry waste collection

Notes to accounts (continued)

4 Fixed asset investments (continued)

Principal investments (continued)

Associated undertaking	Principal activity	Proportion of all types of shares held
Fibre Fuel Limited	Recycling	50%

The movement in the year solely comprises acquisition costs associated with the fixed asset investments acquired during the year.

No amounts have been written off the carrying values of the investments in subsidiary undertakings. In the directors' opinion the aggregate value of the shares in and amounts receivable from the subsidiary and associated undertakings is not less than the aggregate amount included in the balance sheet.

5 Debtors

Amounts falling due within one year:

	1995 £'000	1994 £'000
Amounts owed by subsidiary undertakings	<u>93,837</u>	<u>82,841</u>

6 Deferred costs

	1995 £'000	1994 £'000
Beginning of year	1,483	1,142
Amounts capitalised during the year	51	341
Amounts written off	<u>(1,534)</u>	<u>-</u>
End of year	<u>-</u>	<u>1,483</u>

Capitalised deferred costs have been written off in the year to other operating expenses because either the success of the related projects is no longer assured or the projects have been discontinued.

7 Creditors: Amounts falling due within one year

	1995 £'000	1994 £'000
Deferred consideration	4,124	7,319
Accruals	<u>250</u>	<u>-</u>
	<u>4,374</u>	<u>7,319</u>

Notes to accounts (continued)

8 Creditors: Amounts falling due after more than one year

	1995 £'000	1994 £'000
Deferred consideration	<u>6,011</u>	<u>1,667</u>

9 Called-up share capital

	1995 £'000	1994 £'000
<i>Authorised</i>		
Equity: 250,000,002 ordinary "A" shares of £1 each	250,000	250,000
Equity: 250,000,000 ordinary "B" shares of £1 each	<u>250,000</u>	<u>250,000</u>
	<u>500,000</u>	<u>500,000</u>
<i>Allotted, called-up and fully-paid</i>		
Equity: 139,151,733 ordinary "A" shares of £1 each	139,152	139,152
Equity: 139,151,731 ordinary "B" shares of £1 each	<u>139,151</u>	<u>139,151</u>
	<u>278,303</u>	<u>278,303</u>

10 Other capital reserves

	1995 £'000	1994 £'000
Beginning of year	17,662	157,563
Capital injections by joint venture partners	30,295	27,026
Capitalisation into ordinary shares	<u>-</u>	<u>(166,927)</u>
End of year	<u>47,957</u>	<u>17,662</u>

During the year equal capital injections were made by each joint venture partner.

11 Reconciliation of movements in shareholders' funds

	1995 £'000	1994 £'000
(Loss) profit for the financial year	(1,504)	127
Capital injections by joint venture partners	<u>30,295</u>	<u>27,026</u>
Net addition to shareholders' funds	28,791	27,153
Opening shareholders' funds	<u>295,445</u>	<u>268,292</u>
Closing shareholders' funds	<u>324,236</u>	<u>295,445</u>

Notes to accounts (continued)

12 Financial commitments

The company is registered for VAT purposes in a group of undertakings which share a common registration number. As a result, it has jointly guaranteed the VAT liability of the group and failure by other members of the group would give rise to additional liabilities for the company. The directors are of the opinion that the failure of these companies is not likely to arise.

13 Ultimate parent company

The ultimate parent company is WMX Technologies, Inc., incorporated in Delaware, USA.

The largest group in which the results of Wessex Waste Management Limited and subsidiary undertakings are consolidated is that headed by the ultimate parent company. The smallest group in which they are consolidated is that headed by Waste Management International plc, registered in England and Wales. The consolidated accounts of these groups are available to the public and may be obtained from 3003 Butterfield Road, Oak Brook, Illinois 60521, USA and 3 Shortlands, London W6 8RX, respectively.