

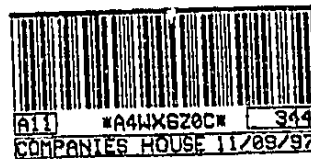
# 15 - 09 - 97

**Northumberland Waste Management Limited**

**Annual Report**

**for the year ended 31 March 1997**

**Registered number: 2618280**



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## NORTHUMBERLAND WASTE MANAGEMENT LIMITED

### Directors' report for the year ended 31 March 1997

The directors present their report and the audited financial statements for the year ended 31 March 1997.

#### Principal activities

The principal activities of the company are the provision of waste treatment and disposal facilities.

#### Review of the business and future developments

The company made a profit before tax of £1,007,798 (1996: loss £2,480,537).

The Finance Act 1996 included the primary legislation for a Landfill Tax to be levied on landfill site operators for waste deposited in landfill sites with effect from 1 October 1996. The tax is administered by HM Customs & Excise and is applied at prescribed rates, on a weight basis, to certain categories of waste in accordance with secondary legislation. As a consequence, the amounts disclosed as turnover and cost of sales include the landfill tax which has been recovered from customers and accounted for to HM Customs & Excise.

The profit after taxation for the year to 31 March 1997 was £598,596 (1996: loss £2,679,513). The directors do not recommend the payment of a dividend and the retained profit for the year to 31 March 1997 will be deducted from the deficit on reserves.

#### Directors

The directors of the company during the year ended 31 March 1997 were:

I F Goodfellow (Chairman)  
C M Green  
P Taylor

#### Directors' interests

No director had an interest in the company's shares either during the year or at 31 March 1997.

As at 31 March 1997, IF Goodfellow held options over 400 ordinary shares of FF60 in the capital of Lyonnaise des Eaux SA, the company's ultimate parent company, which were granted during the financial year.

No other director holds any interest required to be disclosed in accordance with Schedule 7 of the Companies Act 1985.

#### Employees

The company recognises its responsibilities towards disabled people and to their training, career development and promotion and gives full and fair consideration to applications for employment made by disabled persons where suitable work can be found. Every effort is made to find appropriate alternative jobs for those who become disabled while working for the company.

The Board recognises that it is important to continue to recruit and develop a successful team. This is achieved by promoting opportunities for decentralised decision making, individual accountability, teamwork and successful communication. Continuous development is promoted to enable employees to reach their full potential. It is the Board's aim to develop a company where people are committed to achieving the best for the business and are confident to use their skills and initiative to add maximum value.

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## NORTHUMBERLAND WASTE MANAGEMENT LIMITED

### Directors' report for the year ended 31 March 1997 (continued)

#### Auditors

The company has appointed Arthur Andersen as its auditors and has, by elective resolution pursuant to section 386 of the Companies Act 1985, dispensed with the obligation to appoint auditors annually.

#### Statement of directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that year.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 March 1997. The directors also confirm that applicable Accounting Standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

By order of the Board

D J Watson  
Secretary

16 June 1997



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## Report of the auditors to the shareholders of NORTHUMBERLAND WASTE MANAGEMENT LIMITED

We have audited the financial statements on pages 4 to 13 which have been prepared under the historical cost convention and the accounting policies set out on pages 6 and 7.

### 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.

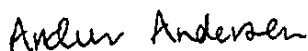
### Basis of opinion

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 affairs of the company at 31 March 1997 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen  
Chartered Accountants and Registered Auditors  
Newcastle upon Tyne

16 June 1997

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## NORTHUMBERLAND WASTE MANAGEMENT LIMITED

### Profit and loss account for the year ended 31 March 1997

	Note	1997 £	1996 £
Turnover	2	5,662,621	3,449,730
Cost of sales		(4,375,039)	(2,240,110)
Exceptional charge	3	—	(2,997,413)
Gross profit / (loss)		1,287,582	(1,787,793)
Administration expenses		(261,856)	(692,809)
Operating profit / (loss)		1,025,726	(2,480,602)
Net interest (payable) / receivable	7	(17,928)	65
Profit / (loss) on ordinary activities before taxation	2&3	1,007,798	(2,480,537)
Tax on profit / (loss) on ordinary activities	8	(409,202)	(198,976)
Retained profit / (loss) for the financial year		598,596	(2,679,513)

All turnover and operating profits / (losses) have arisen from the continuing operations of the business. The company has no recognised gains and losses other than those included in the profits / (losses) above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit / (loss) on ordinary activities before taxation and the retained profit / (loss) for the financial year stated above and their historical cost equivalents.

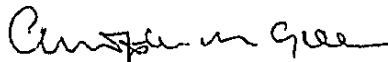
The notes on pages 6 to 13 form part of these financial statements.

## NORTHUMBERLAND WASTE MANAGEMENT LIMITED

Balance sheet  
as at 31 March 1997

	Note	1997 £	1996 £
<b>Fixed assets</b>			
Tangible assets	9	<u>3,905,270</u>	<u>2,847,238</u>
<b>Current assets</b>			
Debtors	10	1,683,449	1,161,248
Cash at bank and in hand		<u>42,773</u>	<u>250</u>
		1,726,222	1,161,498
Creditors : amounts falling due within one year	11	<u>(2,586,935)</u>	<u>(1,753,553)</u>
<b>Net current liabilities</b>		<u>(860,713)</u>	<u>(592,055)</u>
<b>Total assets less current liabilities</b>		3,044,557	2,255,183
Creditors : amounts falling due after more than one year	12	(98,252)	(105,532)
Provisions for liabilities and charges	13	<u>(3,604,493)</u>	<u>(3,406,435)</u>
<b>Net liabilities</b>		<u>(658,188)</u>	<u>(1,256,784)</u>
<b>Capital and reserves</b>			
Called up share capital	14	1,300,002	1,300,002
Profit and loss account	15	<u>(1,958,190)</u>	<u>(2,556,786)</u>
<b>Equity shareholders' deficit</b>	16	<u>(658,188)</u>	<u>(1,256,784)</u>

The financial statements on pages 4 to 13 were approved by the Board of Directors on 16 June 1997 and were signed on its behalf by:



C M Green  
Finance Director

The notes on pages 6 to 13 form part of these financial statements.

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## NORTHUMBERLAND WASTE MANAGEMENT LIMITED

### Notes to the financial statements for the year ended 31 March 1997

#### 1 Principal Accounting Policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

##### *(a) Basis of accounting*

The financial statements have been prepared under the historical cost convention.

##### *(b) Going concern*

The company has net current liabilities at 31 March 1997. The directors have prepared the financial statements on a going concern basis as the company's parent undertaking has confirmed its intention to provide financial support for the foreseeable future.

##### *(c) Cash flow statement*

At 31 March 1997 the company was a wholly owned subsidiary undertaking of Northumbrian Environmental Management Limited which is itself a wholly owned subsidiary undertaking of Northumbrian Water Group plc, a company that produces publicly available accounts in which the company is included. Consequently the company is exempt under the terms of Financial Reporting Standard No1 (Revised) 'Cash Flow Statements', from publishing a cash flow statement.

##### *(d) Turnover*

Turnover, which excludes value added tax but includes landfill tax, represents the income receivable in the ordinary course of business for the provision of waste treatment and disposal facilities. Landfill tax is included at prescribed rates in accordance with the Finance Act 1996 with effect from 1 October 1996.

##### *(e) Tangible fixed assets and depreciation*

Tangible fixed assets are included at cost together with any incidental expenses of acquisition less accumulated depreciation.

Landfill sites are depreciated on the basis of airspace used in the period in relation to the total airspace of the site.

Other assets are depreciated on a straight line basis over their useful economic lives to an expected residual value. The number of years over which assets are depreciated are as follows:

	Number of years
Plant and machinery	2 - 10
Motor vehicles	4
Fixtures, fittings, tools and equipment	5

##### *(f) Pension scheme arrangements*

The cost of providing pension benefits is charged to the profit and loss account so as to spread the cost over the expected average service lives of employees. Differences between the amounts funded and amounts charged to the profit and loss account are treated as either prepayments or provisions in the balance sheet.

##### *(g) Taxation*

Corporation tax payable is provided on taxable profits at the current rate. Timing differences arise from the inclusion of items of income and expenditure in tax computations in periods different from those in which they are included in the financial statements.

## NORTHUMBERLAND WASTE MANAGEMENT LIMITED

### Notes to the financial statements for the year ended 31 March 1997 (continued)

#### 1 Principal Accounting Policies (continued)

##### *(g) Taxation (continued)*

Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is probable that a liability or asset will crystallise in the foreseeable future. Provision is made at the rate which is expected to apply when the liability or asset crystallises.

##### *(h) Landfill restoration and aftercare provisions*

Provision is made for the expected cost of site restoration and post operational environmental management on the basis of airspace used in the period in relation to the total airspace of the site.

##### *(i) Operating leases*

Rental costs arising under operating leases are expensed in the year in which they are incurred.

##### *(j) Grants*

Capital grants relating to assets are treated as deferred income and amortised in the profit and loss account over the expected useful economic lives of the qualifying assets.

#### 2 Turnover and profit / (loss) on ordinary activities before taxation

Turnover and the profit / (loss) on ordinary activities before taxation are attributable to the company's principal activities, the provision of waste treatment and disposal facilities.

Turnover consists entirely of sales made in the United Kingdom.

#### 3 Profit / (loss) on ordinary activities before taxation

	1997 £	1996 £
Profit / (loss) on ordinary activities before taxation is stated after charging:		
Depreciation of owned tangible fixed assets	349,931	459,873
Auditors' remuneration - audit	4,000	4,000
Operating leases - land and buildings	566,139	481,244
Operating leases - other	63,368	36,134
Exceptional charge	-	2,997,413

The exceptional charge arose from the recalculation of the provision for aftercare and restoration costs in line with guidance issued by the Department of the Environment. The provision was recalculated by reference to the original airspace available for waste disposal and the cumulative airspace consumed as at 31 March 1996.

#### 4 Directors' emoluments

No director received any remuneration for services as a director of the company in the year ended 31 March 1997 (1996: £nil).

#### 5 Transactions with directors and officers

There are no transactions or arrangements which would be disclosable under the provisions of the Companies Act 1985.



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## NORTHUMBERLAND WASTE MANAGEMENT LIMITED

### Notes to the financial statements for the year ended 31 March 1997 (continued)

#### 6 Employee information

The average monthly number of persons (including executive directors) employed by the company during the year was:

<i>By activity</i>	1997 Number	1996 Number
Operational	14	14
Administration	5	8
	<u>19</u>	<u>22</u>
<i>Staff costs (for the above persons)</i>	<i>£</i>	<i>£</i>
Wages and salaries	344,709	488,601
Social security costs	32,326	38,374
Other pension costs	38,983	102,562
	<u>416,018</u>	<u>629,537</u>

#### 7 Net interest (payable) / receivable

	1997 £	1996 £
<b>Interest payable</b>		
On group loans	—	(2,215)
On bank loans and overdrafts	(72,886)	(3,696)
	<u>(72,886)</u>	<u>(5,911)</u>
<b>Interest receivable</b>		
On group loans	53,671	3,610
Bank interest receivable	560	—
Other interest receivable	727	2,366
	<u>54,958</u>	<u>5,976</u>
<b>Net interest (payable) / receivable</b>	<u>(17,928)</u>	<u>65</u>

#### 8 Tax on profit / (loss) on ordinary activities

	1997 £	1996 £
United Kingdom corporation tax at 33% (1996: 33%):		
Current	401,397	382,444
Under / (over) provision in respect of prior years	7,805	(183,468)
	<u>409,202</u>	<u>198,976</u>

The tax charge has been increased by approximately £29,000 (1996: £1,023,000) by the non-provision of a deferred tax asset and by approximately £30,000 (1996: £84,000) arising from depreciation of freehold landfill sites for which no other relief is available for corporation tax purposes.

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## NORTHUMBERLAND WASTE MANAGEMENT LIMITED

Notes to the financial statements  
for the year ended 31 March 1997 (continued)

### 9 Tangible fixed assets

	Landfill sites £	Leasehold land and buildings £	Fixtures and fittings £	Motor vehicles £	Operational structures, plant & machinery £	Total £
<i>Cost</i>						
At 1 April 1996	3,247,319	4,144	85,643	2,000	421,770	3,760,876
Additions	443,560	—	26,836	2,247	935,320	1,407,963
Assets reclassified	(228,079)	—	—	—	228,079	—
Disposals	—	—	—	(1,500)	—	(1,500)
At 31 March 1997	3,462,800	4,144	112,479	2,747	1,585,169	5,167,339
<i>Depreciation</i>						
At 1 April 1996	789,851	67	49,623	684	73,413	913,638
Charge for year	251,628	414	11,982	1,319	84,588	349,931
Disposals	—	—	—	(1,500)	—	(1,500)
At 31 March 1997	1,041,479	481	61,605	503	158,001	1,262,069
<i>Net book value</i>						
At 31 March 1997	2,421,321	3,663	50,874	2,244	1,427,168	3,905,270
At 31 March 1996	2,457,468	4,077	36,020	1,316	348,357	2,847,238

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## NORTHUMBERLAND WASTE MANAGEMENT LIMITED

### Notes to the financial statements for the year ended 31 March 1997 (continued)

#### 10 Debtors

	1997 £	1996 £
Amounts falling due within one year:		
Trade debtors	1,419,984	493,383
Amounts owed by parent and fellow subsidiary undertakings	120,279	277,871
Corporation tax recoverable	—	44,963
Other debtors	3,993	34,069
Prepayments and accrued income	139,193	310,962
	<u>1,683,449</u>	<u>1,161,248</u>

Included in amounts owed by parent and fellow subsidiary undertakings is £8,874 (1996: £nil) in respect of tax losses surrendered last year.

#### 11 Creditors : amounts falling due within one year

	1997 £	1996 £
Bank loans and overdrafts	—	283,560
Trade creditors	30,554	320,368
Amounts owed to parent and fellow subsidiary undertakings	327,260	46,066
Corporation tax	606,796	245,290
Other taxation and social security payable	907,593	16,162
Other creditors	26,783	56,810
Accruals and deferred income	687,949	785,297
	<u>2,586,935</u>	<u>1,753,553</u>

#### 12 Creditors : amounts falling due after more than one year

	1997 £	1996 £
Deferred income	<u>98,252</u>	<u>105,532</u>

## NORTHUMBERLAND WASTE MANAGEMENT LIMITED

### Notes to the financial statements for the year ended 31 March 1997 (continued)

#### 13 Provisions for liabilities and charges

##### (a) *Deferred taxation*

Deferred taxation provided in the financial statements and the full potential liability / (asset) are as follows:

	Amount provided		Full potential liability / (asset)	
	1997	1996	1997	1996
	£	£	£	£
Timing differences arising from:				
Accelerated capital allowances	-	-	5,166	19,556
Other	-	-	(574,930)	(1,125,078)
	-	-	(569,764)	(1,105,522)

There has been no movement on the provision for deferred taxation in the year ended 31 March 1997.

##### (b) *Landfill restoration and aftercare provision*

	£
Amount provided at 1 April 1996	3,406,435
Profit and loss account	660,660
Utilised in year	(462,602)
Amount provided at 31 March 1997	3,604,493

#### 14 Called up share capital

	1997	1996
	£	£
<i>Authorised:</i>		
1,500,000 ordinary shares of £1 each	1,500,000	1,500,000
	1997	1996
	£	£
<i>Allotted, called up and fully paid:</i>		
1,300,002 ordinary shares of £1 each	1,300,002	1,300,002

#### 15 Reserves

	Profit and loss account £
At 1 April 1996	(2,556,786)
Retained profit for the financial year	598,596
At 31 March 1997	(1,958,190)

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## NORTHUMBERLAND WASTE MANAGEMENT LIMITED

### Notes to the financial statements for the year ended 31 March 1997 (continued)

#### 16 Reconciliation of movements in equity shareholders' funds

	1997 £	1996 £
Opening equity shareholders' (deficit) / funds	(1,256,784)	1,422,729
Retained profit / (loss) for the financial year	598,596	(2,679,513)
Closing equity shareholders' deficit	(658,188)	(1,256,784)

#### 17 Commitments and contingent liabilities

	1997 £	1996 £
<i>(a) Capital expenditure</i>		
Approved by the directors, contracted for but not yet provided	2,887,397	913,350

#### *(b) Lease commitments*

At 31 March 1997 the company had annual commitments in respect of non-cancellable operating leases for land and buildings and other assets as follows:

	1997		1996	
	Land and buildings £	Other £	Land and buildings £	Other £
Expiring between one and five years inclusive	—	11,576	—	164,325
After five years	450,000	12,204	450,000	—
	450,000	23,780	450,000	164,325

#### *(c) Contingent liabilities*

Northumberland Waste Management Limited is party to a cross guarantee arrangement with other group companies in respect of bank overdrafts. The potential liability outstanding at 31 March 1997 was £21.9m (1996: £16.2m).

#### 18 Pensions

Retirement benefits for employees are provided by a Local Authority Waste Disposal Company defined benefit scheme to which contributions are made by the company and its employees. Contributions are paid in accordance with the recommendations of a firm of independent actuaries.

The scheme is administered by an independent trustee company. The latest actuarial valuation of the scheme was carried out as at 31 March 1995, and thereafter triennially.

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# **NORTHUMBERLAND WASTE MANAGEMENT LIMITED**

## **Notes to the financial statements for the year ended 31 March 1997 (continued)**

### **18 Pensions (continued)**

The current pension cost for providing pension benefits has been assessed as 13% of pensionable pay using the attained age method over the remaining expected working lifetime of existing active members using the following assumptions:

Investment return	9% pa
Salary increases	7% pa
Pension increases	5% pa

The market value of the scheme's assets was £559,751 at the date of the valuation which represented a funding level of 99%. The deficit on the pension scheme should be eliminated by the current employer's contribution rate of 13% of pensionable earnings.

### **19 Related party transactions**

At 31 March 1997 the company was a wholly owned subsidiary undertaking of Northumbrian Environmental Management Limited which is itself a wholly owned subsidiary undertaking of Northumbrian Water Group plc, a company that produces publicly available accounts in which the company is included. Consequently the company is exempt under the terms of Financial Reporting Standard No8 'Related Party Disclosures' from disclosing related party transactions with other members of the group headed by Northumbrian Water Group plc. There are no other related party transactions.

### **20 Ultimate parent company**

The company's ultimate parent company and controlling party is Lyonnaise des Eaux SA, a company incorporated in France. The largest group which consolidates the results of the company is Lyonnaise des Eaux SA and copies of the consolidated accounts are available to the public from Lyonnaise des Eaux SA, 72 Avenue de la Liberte, 92753 Nanterre Cedex, Paris, France.

The smallest group which consolidates the results of the company is that of which Northumbrian Water Group plc is the parent. Copies of the consolidated accounts may be obtained from Northumbrian Water Group plc, Northumbria House, P O Box 4, Regent Centre, Gosforth, Newcastle upon Tyne, NE3 3PX. Northumbrian Water Group plc is registered in England and Wales.