

LONDONWASTE LIMITED  
(Registered Number 2732548)

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 1997



PANNELL KERR FORSTER  
Chartered Accountants

LONDONWASTE LIMITED  
(Registered Number 2732548)  
ANNUAL REPORT  
YEAR ENDED 31 DECEMBER 1997

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**LONDONWASTE LIMITED  
REPORT AND FINANCIAL STATEMENTS  
YEAR ENDED 31 DECEMBER 1997**

**OFFICERS AND REGISTERED OFFICE**

**Directors:**

J Pearson	(Chairman)
R Barlow	
P Carneau	
P Cunneen	(Appointed 9 July 1997)
M Dewar	(Resigned 9 July 1997)
J Lebel	
I Perry	
D Sargent	
N Young	

**Secretary:**

D Sargent

**Registered Office:**

Edmonton Power Station, Advent Way, Edmonton,  
London N18 3AG.

**LONDONWASTE LIMITED  
DIRECTORS' REPORT**

The directors submit their report and the accounts for the year ended 31 December 1997.

**RESULTS AND DIVIDENDS**

The profit for the year after taxation was £3,575,000. The directors propose a dividend of £2,745,000.

**REVIEW OF THE BUSINESS**

The Company's main activities are the disposal of waste and the generation of electricity.

The Company has continued to expand its waste management operations with a consequent increase in turnover and underlying profitability. The major capital works carried out at the energy from waste plant in 1996 with the prime purpose of achieving high quality air emissions has been operating successfully since installation. The new costs from this environmentally beneficial project have now been absorbed and for this reason, the overall Company profit is slightly lower than in 1996. The Company entered into a contractual arrangement in 1997 which should allow residues from the energy from waste plant to be recycled. This, together with other business development actions, is expected to contribute to rise in profitability in 1998.

**EVENTS SINCE THE YEAR END**

There have been no events since the balance sheet date which in the opinion of the directors need to be drawn to shareholders' attention.

**FUTURE DEVELOPMENTS**

The Company, in addition to obtaining ISO 9002 quality accreditation in 1997, has also obtained accreditation as a reprocessor under the new Packaging Waste Regulations. By taking part in this important recovery and recycling initiative, the Company expects to generate re-investment funding to allow expansion of the Company's commercially viable recovery and recycling operations.

**DIRECTORS**

The directors who served during the year are set out on page 1.

None of the directors has, or has ever had, any interest in the shares of the company.

**AUDITORS**

A resolution to reappoint Pannell Kerr Forster as auditors will be proposed at the forthcoming annual general meeting.

BY ORDER OF THE BOARD

  
D SARGENT  
Secretary

11 March 1998

**. LONDONWASTE 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 of the company for that year. 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
- 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 which 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.

**AUDITORS' REPORT TO THE SHAREHOLDERS OF  
LONDONWASTE LIMITED**

We have audited the financial statements on pages 5 to 16 which have been prepared under the accounting policies set out on page 9.

**Respective responsibilities of directors and auditors**

As described on page 3 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. 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 as at 31 December 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Pannell Kerr Forster*

PANNELL KERR FORSTER  
Chartered Accountants  
Registered Auditors

London

11 March 1998

**LONDONWASTE LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**YEAR ENDED 31 DECEMBER 1997**

	<u>Notes</u>	<u>1997</u> £ '000	<u>1996</u> £ '000
Turnover	2	35,361	30,300
Cost of sales		25,448	21,389
<b>Gross profit</b>		<b>9,913</b>	<b>8,911</b>
Administrative expenses		3,926	3,877
<b>Operating profit</b>		<b>5,987</b>	<b>5,034</b>
Interest receivable	5	878	1,525
Interest payable and similar charges	6	(1,308)	(806)
<b>Profit on ordinary activities before taxation</b>	7	<b>5,557</b>	<b>5,753</b>
Tax on profit on ordinary Activities	8	(1,982)	(2,134)
<b>Profit for the year before dividends</b>		<b>3,575</b>	<b>3,619</b>
Proposed dividend	9	(2,745)	(2,744)
<b>Retained profit for the financial year</b>		<b>830</b>	<b>875</b>
<b>Profit and loss account at 1 January 1997</b>		<b>1,450</b>	<b>575</b>
<b>Profit and loss account at 31 December 1997</b>		<b>2,280</b>	<b>1,450</b>

Londonwaste Limited has no recognised gains or losses other than the profit for the year.

All items stated in the profit and loss account relate to continuing business.

**LONDONWASTE LIMITED**  
**BALANCE SHEET**  
**31 DECEMBER 1997**

		<u>1997</u>		<u>1996</u>	
	<u>Notes</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
<b>FIXED ASSETS</b>					
Tangible assets	10		55,428		56,558
<b>CURRENT ASSETS</b>					
Stocks	11	1,672		1,186	
Debtors	12	23,273		19,891	
Cash at bank and in hand		1,369		1,540	
		<u>26,314</u>		<u>22,617</u>	
<b>CREDITORS</b>					
Amounts falling due within one year	13	12,944		17,514	
<b>NET CURRENT ASSETS</b>			<u>13,370</u>		<u>5,103</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>68,798</u>		<u>61,661</u>
<b>CREDITORS</b>					
Amounts falling due after more than one year	14		20,120		13,918
<b>PROVISION FOR LIABILITIES AND CHARGES</b>	15		<u>2,492</u>		<u>2,387</u>
<b>NET ASSETS</b>			<u><u>46,186</u></u>		<u><u>45,356</u></u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	16		41,612		41,612
Share premium	17		2,294		2,294
Profit and loss account	17		2,280		1,450
<b>EQUITY SHAREHOLDERS' FUNDS</b>	18		<u><u>46,186</u></u>		<u><u>45,356</u></u>

Approved by the board on 11 March 1998

*John M. Pearson*  
J PEARSON

Director

*D. J. Sargent*  
D SARGENT

Director



**LONDONWASTE LIMITED**  
**CASH FLOW STATEMENT**  
**YEAR ENDED 31 DECEMBER 1997**

	<u>Note</u>	<u>1997</u> £'000	<u>1996</u> £'000
<b>Reconciliation of operating profit to net cash inflow from operating activities</b>			
Operating profit		5,987	5,034
Depreciation		3,242	2,203
(Increase) in stocks		(486)	(25)
(Increase) in debtors		(4,002)	(1,192)
(Decrease)/increase in creditors		(1,994)	4,407
		<hr/> 2,747 <hr/>	<hr/> 10,427 <hr/>
<b>Cash flow statement</b>			
Net cash inflow from operating activities		2,747	10,427
Returns on investments and servicing of finance	A	(477)	768
Taxation (including advance corporation tax)		(1,576)	(620)
Capital expenditure	A	(5,221)	(11,883)
		<hr/> (4,527) <hr/>	<hr/> (1,308) <hr/>
Equity dividends paid		(2,744)	(2,478)
		<hr/> (7,271) <hr/>	<hr/> (3,786) <hr/>
Financing	A	7,100	4,300
		<hr/> (171) <hr/>	<hr/> 514 <hr/>
<b>Reconciliation of net cash flow to movement in net debt</b>			
(Decrease)/increase in cash in the period		(171)	514
Cash used to repay loan		900	-
Cash from new loan advanced		(8,000)	(4,300)
		<hr/> (7,271) <hr/>	<hr/> (3,786) <hr/>
Change in net debt		(13,260)	(9,474)
Net debt at 1 January 1997		<hr/> (13,260) <hr/>	<hr/> (9,474) <hr/>
Net debt at 31 December 1997		<hr/> (20,531) <hr/>	<hr/> (13,260) <hr/>

**· LONDONWASTE LIMITED**  
**NOTES TO THE CASH FLOW STATEMENT**  
**YEAR ENDED 31 DECEMBER 1997**

**A Analysis of cash flows for headings netted in the cash flow statement**

	<u>1997</u> £'000	<u>1996</u> £'000
<b>Returns on investments and servicing of finance</b>		
Interest received	879	1,525
Interest paid	(1,356)	(757)
	<hr/>	<hr/>
Net cash (outflow)/inflow from returns on investments and servicing of finance	(477)	768
	<hr/>	<hr/>
<b>Capital expenditure</b>		
Purchase of tangible fixed assets	(5,221)	(11,883)
	<hr/>	<hr/>
Net cash outflow from capital expenditure	(5,221)	(11,883)
	<hr/>	<hr/>
<b>Financing</b>		
Debt due within one year:		
Repayment of loans	(900)	-
Debt due after more than one year:		
New loans	8,000	4,300
	<hr/>	<hr/>
	7,100	4,300
	<hr/>	<hr/>

**B Analysis of net debt**

	At 1 January 1997 £	Cash flow £	Other non-cash changes £	At 31 December 1997 £
Cash at bank and in hand	1,540	(171)	-	1,369
Debt due after one year	(13,918)	(7,982)	1,780	(20,120)
Debt due within one year	(882)	882	(1,780)	(1,780)
	<hr/>	<hr/>	<hr/>	<hr/>
	(13,260)	(7,271)	-	(20,531)
	<hr/>	<hr/>	<hr/>	<hr/>

**LONDONWASTE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 1997**

**1 ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of the accounts of the company are described below.

**(a) Historical cost convention**

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

**(b) Depreciation**

Freehold land is not depreciated. Other tangible fixed assets are written off over their estimated useful lives on a straight line basis at the following annual rates:

Leasehold land	- 5% per annum on cost
Buildings	- 5% per annum on cost
Plant and machinery	- 6 $\frac{2}{3}$ % per annum on cost
Fixtures, fittings and equipment	- 12 $\frac{1}{2}$ % per annum on cost
Motor vehicles	- 10% - 20% per annum on cost
Computer equipment	- 25% per annum on cost

**(c) Stocks**

Stocks are stated at the lower of cost and net realisable value.

**(d) Deferred taxation**

Provision has been made for deferred tax using the liability method to the extent that it is probable that a liability will crystallise.

**(e) Operating leases**

Leasing charges in respect of operating leases are recognised in the profit and loss account over the lives of the lease agreement as incurred.

**(f) Pensions**

The company operates a defined benefit scheme providing benefits for employees additional to those from the state. The pension cost charge represents contributions payable by the company to the fund in respect of the year.

**(g) Turnover**

Turnover represents invoiced sales less allowances, trade discounts and value added tax.

**LONDONWASTE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 1997**

**2 TURNOVER**

The analysis of turnover, all of which arose within the United Kingdom, is as follows:

	<u>1997</u> £'000	<u>1996</u> £'000
Waste Disposal	19,107	15,296
Electricity Generation	16,254	15,004
	<u>35,361</u>	<u>30,300</u>

**3 STAFF COSTS**

Wages and salaries	6,359	6,047
Social security costs	507	504
Other pension costs	538	542
	<u>7,404</u>	<u>7,093</u>

The average monthly number of persons employed by the company during the year was 216 (1996: 216).

**4 DIRECTORS' EMOLUMENTS**

The remuneration of the directors of the company comprises:

	<u>1997</u> £'000	<u>1996</u> £'000
Emoluments	169	161
	<u>Number</u>	<u>Number</u>
Number of directors to whom benefits are accruing under defined benefit schemes	2	1

**5 INTEREST RECEIVABLE**

	<u>1997</u> £	<u>1996</u> £
Bank interest	92	56
Interest receivable on loan to related undertaking	786	749
Add: Deferred interest	-	720
	<u>878</u>	<u>1,525</u>

The interest receivable on the loan to a related undertaking is only realised upon the use by the company of landfill space owned by the related undertaking. The interest receivable that was deferred in the 1995 accounts was released during the 1996 accounting period.

**LONDONWASTE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 1997**

<b>6 INTEREST PAYABLE AND SIMILAR CHARGES</b>	<u><b>1997</b></u> <b>£'000</b>	<u><b>1996</b></u> <b>£'000</b>
Loans wholly repayable within five years	224	455
Loans wholly repayable within five to ten years	1,071	344
Other loans	13	7
	<hr/> 1,308 <hr/>	<hr/> 806 <hr/>
 <b>7 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		
Profit on ordinary activities before taxation is stated after charging the following:		
Depreciation of tangible fixed assets	3,242	2,203
Directors' emoluments (note 4)	169	161
Auditors' remuneration - audit	17	16
- other fees	3	9
Operating lease payments - land and buildings	82	77
- other	111	72
Hire of plant and machinery	318	69
	<hr/> <hr/>	<hr/> <hr/>
 <b>8 TAX ON PROFIT ON ORDINARY ACTIVITIES</b>		
The charge for the year comprises:		
Corporation tax at 33% and 31% (1996:33%)	1,807	1,509
Deferred taxation	175	625
	<hr/> 1,982 <hr/>	<hr/> 2,134 <hr/>
 <b>9 DIVIDENDS</b>		
"A" ordinary shares	1,338	1,335
"B" ordinary shares	1,407	1,409
	<hr/> 2,745 <hr/>	<hr/> 2,744 <hr/>

See note 16 (ii) for details of the dividend rights attached to the shares.

**LONDONWASTE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 1997**

**10 TANGIBLE FIXED ASSETS**

	Freehold land and buildings £'000	Leasehold land £'000	Capital work in progress £'000	Plant and machinery £'000	Fixtures fittings equipment £'000	Motor vehicles £'000	Total £'000
<b>Cost</b>							
At 1 January 1997	28,039	140	242	31,149	449	929	60,948
Additions	49	-	872	492	512	187	2,112
Reclassifications	-	-	(95)	95	-	-	-
<b>At 31 December 1997</b>	<b>28,088</b>	<b>140</b>	<b>1,019</b>	<b>31,736</b>	<b>961</b>	<b>1,116</b>	<b>63,060</b>
<b>Depreciation</b>							
At 1 January 1997	1,663	14	-	2,237	160	316	4,390
Charge for the year	816	7	-	2,114	140	165	3,242
<b>At 31 December 1997</b>	<b>2,479</b>	<b>21</b>	<b>-</b>	<b>4,351</b>	<b>300</b>	<b>481</b>	<b>7,632</b>
<b>Net book amounts</b>							
At 31 December 1997	25,609	119	1,019	27,385	661	635	55,428
<b>Net book amounts</b>							
At 31 December 1996	26,376	126	242	28,912	289	613	56,558

Freehold land and buildings include assets not depreciated at a gross book value of £11,750,000.

<b>11 STOCKS</b>	<b>1997</b> <b>£'000</b>	<b>1996</b> <b>£'000</b>
Consumables	1,672	1,186
<b>12 DEBTORS</b>		
Trade debtors	7,728	4,912
Amounts owed by related undertakings	14,269	13,230
Advance corporation tax	686	1,305
Other debtors	17	8
Prepayments and accrued income	573	436
	<b>23,273</b>	<b>19,891</b>

£686,000 (1996: £686,000) of Advance Corporation Tax is recoverable in more than one year.

**LONDONWASTE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 1997**

13 CREDITORS	<u>1997</u> £'000	<u>1996</u> £'000
Amounts falling due within one year:		
Bank loans and overdraft (see note 14)	1,780	882
Trade creditors	1,982	2,949
Amounts due to related undertakings	2,217	1,647
Corporation tax	2,757	3,145
Other taxation and social security	743	303
Other creditors	2	24
Accruals and deferred income	718	5,820
Proposed dividends	2,745	2,744
	<hr/>	<hr/>
	12,944	17,514
	<hr/>	<hr/>

14 CREDITORS		
Amounts falling due after more than one year:		
Bank loans	18,320	12,118
Loans from related undertaking	1,800	1,800
	<hr/>	<hr/>
	20,120	13,918
	<hr/>	<hr/>

The bank loans are secured by a fixed and floating charge over the freehold property, all existing assets as at 13 November 1995 and all assets relating to work carried out under the Retrofit contract including any replacement or upgrades thereof.

Interest on the long term loan is at the rate of LIBOR plus 0.9%. (Balance as at 31 December 1997 : £14,100,000).  
Interest on the shorter term loan is at the rate of LIBOR plus 0.75%. (Balance as at 31 December 1997 : £6,000,000).

The bank loans are repayable as follows:

Within one year	1,780	882
Between one and two years	1,760	1,765
Between two and five years	11,280	8,794
After five years	5,280	1,559
	<hr/>	<hr/>
	20,100	13,000
	<hr/>	<hr/>

**LONDONWASTE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 1997**

**15 PROVISIONS FOR LIABILITIES AND CHARGES**

	<u>Deferred taxation</u> £'000	<u>Provision for redundancy costs</u> £'000	<u>Provision for disputed legal claims</u> £'000	<u>Provision for environmental costs</u> £'000	<u>Total</u> £'000
At 1 January 1997	1,525	-	543	319	2,387
Charged to profit and loss account	175	132	-	-	307
Released during the year	-	-	(202)	-	(202)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1997	1,700	132	341	319	2,492
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

The deferred tax balance comprises corporation tax at 31% (1996:33%) on:

	<u>Potential and provided</u> <u>1997</u> £'000	<u>1996</u> £'000
Accelerated capital allowances	1,778	1,861
Short-term timing differences	(78)	(336)
	<hr/>	<hr/>
	1,700	1,525
	<hr/>	<hr/>

**16 CALLED UP SHARE CAPITAL**

Authorised:

"A" Ordinary shares of £1 each

"B" Ordinary shares of £1 each

At 31 December 1996 and 31 December 1997

Allotted

"A" Ordinary shares of £1 each

"B" Ordinary shares of £1 each - fully paid  
- partly paid

At 31 December 1996 and 31 December 1997

	Number	£'000
"A" Ordinary shares of £1 each	21,705,937	21,706
"B" Ordinary shares of £1 each	21,705,937	21,706
	<hr/>	<hr/>
At 31 December 1996 and 31 December 1997	43,411,874	43,412
	<hr/>	<hr/>
Allotted		
"A" Ordinary shares of £1 each	21,705,937	21,706
"B" Ordinary shares of £1 each - fully paid	19,705,937	19,706
"B" Ordinary shares of £1 each - partly paid	2,000,000	200
	<hr/>	<hr/>
At 31 December 1996 and 31 December 1997	43,411,874	41,612
	<hr/>	<hr/>

The "A" and "B" shares rank pari passu in all respects whether or not they are fully paid except in respect of the following:

(i) Directors

Upon any resolution for the removal of a director appointed by the "A" shareholders the holders of the "B" shares shall collectively be entitled to 1 vote and the holder of the "A" shares shall collectively be entitled to 2 votes and vice versa.

(ii) Dividends

The "A" and "B" shares rank equally for dividend subject to the "A" shareholder's ongoing commitment to make special contributions to the Londonwaste Limited Pension Scheme as long as the employees that were transferred on vesting from the North London Waste Authority are still in service, such special contributions being deducted from their share of the dividend.

Additionally, if the net after-tax profits of the company should exceed 12% of the company's turnover in any financial year after 31 December 1998 then a dividend will be declared in respect of at least an amount equal to the excess, and the shareholders shall be entitled to the excess dividend in the proportion 75% to the "A" shares and 25% to the "B" shares.



**LONDONWASTE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 1997**

<b>17 RESERVES</b>		<b>Share Premium £'000</b>	<b>Profit and loss account £'000</b>
At 1 January 1997		2,294	1,450
Retained profit for the period		-	830
		<hr/>	<hr/>
At 31 December 1997		2,294	2,280
		<hr/>	<hr/>
<b>18 EQUITY SHAREHOLDERS' FUNDS</b>		<b>1997 £'000</b>	<b>1996 £'000</b>
The reconciliation of movements in shareholders' funds is as follows:			
Profit for the financial period		3,575	3,619
Dividends		(2,745)	(2,744)
		<hr/>	<hr/>
		830	875
Balance at 1 January 1997		45,356	44,481
		<hr/>	<hr/>
Balance at 31 December 1997		46,186	45,356
		<hr/>	<hr/>
<b>19 OPERATING LEASES</b>			
At 31 December 1997 the company has annual commitments under operating leases as follows:			
	<b>Land and Buildings 1997 £'000</b>	<b>Plant and Machinery 1997 £'000</b>	<b>Land and Buildings 1996 £'000</b>
			<b>Plant and Machinery 1996 £'000</b>
Expiring within one year	-	28	-
Expiring between two and five years	-	129	-
Expiring in more than five years	80	-	76
	<hr/>	<hr/>	<hr/>
	80	157	76
	<hr/>	<hr/>	<hr/>
			53
			<hr/>
<b>20 CAPITAL COMMITMENTS</b>		<b>1997 £'000</b>	<b>1996 £'000</b>
Authorised and contracted		1,879	198
		<hr/>	<hr/>
<b>21 CONTINGENT LIABILITIES</b>			
The company had provided a performance bond to the North London Waste Authority of £510,000 (1996: £475,000) at the year end.			

**LONDONWASTE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 1997**

**22 PENSIONS**

The company operates a defined benefits pension scheme which is split into two parts, one of which is closed to new members. The assets of the scheme are held separately from those of the company. The contributions are determined by a qualified actuary on the basis of a triennial valuation using the projected unit method. The most recent valuation was at 1 January 1997. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment returns would be 9% per annum, that salary increases would average 6% per annum and that present and future pensions would increase at the rate of 4% per annum.

The pension charge for the period was £538,000 (1996: £542,000).

The most recent actuarial valuation showed that the market value of the scheme's assets was £2,609,000 and that the actuarial value of those assets represented 92% of the benefits that had accrued to members, after allowing for expected future increases in earnings. This deficit is largely represented by the shortfall arising on the transfer of benefits from the Local Authority Scheme and will be met by making special contributions for individual members affected at each year end, at a rate to be calculated by the Actuary, and a lump sum contribution will not be required.

The contributions for the employer and employees will be 12.3% and 5.8% respectively on the closed part of the scheme, and 10.7% and 5% respectively for the ongoing part of the scheme.

**23 CONTROLLING AND RELATED PARTY DISCLOSURES**

The directors are of the opinion that the company is jointly controlled by S.I.T.A. (GB) Limited (SITA) and the North London Waste Authority (NLWA).

NLWA

NLWA uses the company's facilities for the disposal of domestic, commercial, industrial and civic amenity waste under commercial contracts and is responsible for £12,671,000 (1996: £11,621,000) of the total turnover disclosed in the accounts. Included within trade debtors as at 31 December 1997 is an amount due from NLWA to the company of £2,454,000 (1996: £889,000).

In addition at 31 December 1997 NLWA owed the company £394,000 (1996: £200,000 owed to NLWA). A further amount for £440,000 is included in prepayments relating to landfill tax not yet reclaimed from NLWA.

SITA

SITA, through a subsidiary, provides the company with landfill space which has cost the company £51,000 (1996: £519,000) less volume user discounts where appropriate, which includes the liability for landfill tax and a contribution to the operating costs of the subsidiary, Midland Land Reclamation, whose landfill site they used. It also provides the company with technical expertise and has charged the company £778,000 (1996: £1,460,000 relating to 1995 and 1996) in management fees for this service relating to 1997. Nene Valley Waste, another subsidiary has been used for transport and tipping of lime residue during the year which has cost £275,000.

The company also has a £1,800,000 (1996: £1,800,000) loan from SITA which is interest free and due for repayment by 1 June 1999 at the latest.

As part of the original financing arrangements SITA received a loan from Londonwaste of £12,000,000 on which interest is charged at the rate of 6% per annum.

At 31 December 1997 the company had the following balances with SITA:

	<u>1997</u> £'000	<u>1996</u> £'000
Loan due from SITA	13,876	13,230
Amounts due to SITA	4,017	3,247
Amounts due to Midland Land Reclamation (included in trade creditors)	15	519
Amounts due to Nene Valley Waste (included in trade creditors)	32	-
	<u>17,939</u>	<u>16,995</u>