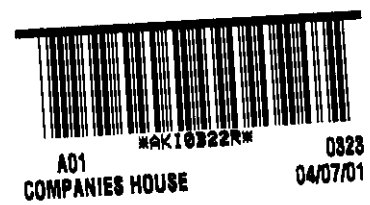


**LONDONWASTE LIMITED**

**FINANCIAL STATEMENTS**

**YEAR ENDED 31 DECEMBER 2000**



**LONDONWASTE LIMITED**  
**(Registered Number 2732548)**  
**ANNUAL REPORT**  
**YEAR ENDED 31 DECEMBER 2000**

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**LONDONWASTE LIMITED  
REPORT AND FINANCIAL STATEMENTS  
YEAR ENDED 31 DECEMBER 2000**

**OFFICERS AND REGISTERED OFFICE**

**Directors:**

I Goodfellow  
I Perry  
C Robb (Chair)  
D Sargent  
S Brown  
C Murphy  
S Thorne  
R Searby (appointed 23 June 2000)

**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 2000. Comparative figures are for the period from 23 December 1998 to 31 December 1999.

### **RESULTS AND DIVIDENDS**

The profit for the year after taxation was £2,722,000. From this the directors propose a dividend of £1,667,000.

### **REVIEW OF THE BUSINESS**

The main activity of the Company and its subsidiaries is the recycling and disposal of waste, including the disposal of waste and generation of electricity through the energy-from-waste plant operated by the Company.

On 31 December 1999, in order to concentrate on its main activities, the Company sold its Edmonton-based dry-waste collection business. On 28 April 2000, the Company restructured its subsidiaries by transferring its clinical waste operations into a newly formed subsidiary, Dressvale Limited (subsequently renamed Polkacrest Limited), and, at the same time, disposing of its Kent-based dry-waste collection business by way of the sale of its shares in Polkacrest Group Limited to the Sita group. The combined effect of these actions has been to create a more focused integrated waste management company.

Trading conditions were broadly similar to the previous year but profits excluding profit on sale of business were lower in the year 2000 because of the interruption to business in October by the activities of Greenpeace, which reduced income from the sale of electricity and increased disposal costs through the need to transport waste long distances for disposal.

### **FUTURE DEVELOPMENTS**

In response to the increasing cost of disposing of waste in landfill sites, especially for London's waste where landfill sites are some distance from the capital, the Company is planning to maximise recycling volumes and dispose of as much residual waste as possible through energy-from-waste operation. The Company will be co-hosting, with the North London Waste Authority, a recycling conference in June 2001 which will look at ways to increase recycling in North London. The Company is also waiting for consent from the Department of Industry to an application to increase energy-from-waste capacity at its Edmonton plant.

### **CHARITABLE DONATIONS**

During the period, the company made charitable donations of £1,635 (1999: £3,490).

### **DIRECTORS**

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

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

### **DISABLED PERSONS**

Under the Company's Equal Opportunities Policy, there must be no unfair discrimination in the recruitment, training and promotion of staff, including applicants and staff who are disabled.

### **EMPLOYEE INFORMATION**

The Directors of LondonWaste are committed to maintaining and developing effective communication and consultation processes with all employees through monthly briefings, newsletters and consultative committee meetings.

Employees are encouraged to be involved in the performance of the Company through regular communication about the Company's performance and progress and through participation in the Company's Contribution and Development review Programme as well as in training and development opportunities. Employees are involved directly in groups tasked with achieving specific improvements.

**LONDONWASTE LIMITED**  
**DIRECTORS' REPORT**  
(Continued)

**AUDITORS**

During the year Pannell Kerr Forster changed their name to PKF and have signed their report in that name. A resolution to reappoint PKF as auditors will be proposed at the forthcoming annual general meeting.

BY ORDER OF THE BOARD



D SARGENT  
Secretary

25<sup>th</sup> May 2001

**LONDONWASTE LIMITED**  
**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group 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
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 of the group 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 group 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 6 to 23 which have been prepared under the accounting policies set out on page 11.

**Respective responsibilities of directors and auditors**

As described on page 4 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 and the group'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 and the group as at 31 December 2000 and of the group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

31 May 2001  
London

PKF  
PKF  
Registered Auditors

**LONDONWASTE LIMITED**  
**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**YEAR ENDED 31 DECEMBER 2000**

		2000			
		Continuing activities	Discontinued activities	Total	1999
		£'000	£'000	£'000	£'000
Turnover	2	43,343	2,203	45,546	52,436
Cost of sales	3	(33,196)	(1,879)	(35,075)	(41,392)
<b>Gross profit</b>		<b>10,147</b>	<b>324</b>	<b>10,471</b>	<b>11,044</b>
Administrative expenses	3	(6,004)	(358)	(6,362)	(5,957)
Operating profit/(loss)	3	4,143	(34)	4,109	5,087
Profit on sale of trade waste businesses	12			-	953
				4,109	6,040
Interest receivable	6			927	831
Interest payable and similar charges	7			(1,665)	(1,638)
<b>Profit on ordinary activities before taxation</b>	8			<b>3,371</b>	<b>5,233</b>
Tax on profit on ordinary activities	9			(649)	(450)
<b>Profit for the year before dividends</b>				<b>2,722</b>	<b>4,783</b>
Proposed dividend	10			(1,667)	(5,875)
<b>Retained profit/(loss) for the financial period</b>	19			<b>1,055</b>	<b>(1,092)</b>

There are no recognised gains or losses other than the profit for the period.

Figures for the current period relate to the year ended 31 December 2000. Comparative figures relate to the period from 23 December 1998 to 31 December 1999.



**LONDONWASTE LIMITED**  
**CONSOLIDATED BALANCE SHEET**  
**31 DECEMBER 2000**

		<u>2000</u>	<u>1999</u>
	<u>Notes</u>	£'000	£'000
<b>FIXED ASSETS</b>			
Tangible assets	11	53,889	56,711
<b>CURRENT ASSETS</b>			
Stocks	13	1,075	1,561
Debtors	14	25,026	28,992
Cash at bank and in hand		3,832	3,486
		<hr/> 29,933	<hr/> 34,039
<b>CREDITORS</b>			
Amounts falling due within one year	15	18,417	36,958
		<hr/>	<hr/>
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		11,516	(2,919)
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		65,405	53,792
		<hr/>	<hr/>
<b>CREDITORS</b>			
Amounts falling due after more than one year	16	15,151	9,191
		<hr/>	<hr/>
<b>PROVISION FOR LIABILITIES AND CHARGES</b>	17	2,818	3,078
		<hr/>	<hr/>
<b>NET ASSETS</b>		47,436	41,523
		<hr/> <hr/>	<hr/> <hr/>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	18	43,412	43,412
Share premium	19	2,294	2,294
Profit and loss account	19	1,730	(4,183)
		<hr/>	<hr/>
<b>EQUITY SHAREHOLDERS' FUNDS</b>	20	47,436	41,523
		<hr/> <hr/>	<hr/> <hr/>

Approved by the board on 25<sup>th</sup> May 2001

C ROBB

Director

D SARGENT

Director

**LONDONWASTE LIMITED**  
**COMPANY BALANCE SHEET**  
**31 DECEMBER 2000**

			<u>2000</u>		<u>1999</u>
	<u>Notes</u>	£'000	£'000	£'000	£'000
<b>FIXED ASSETS</b>					
Tangible assets	11		52,792		54,434
Investments	12		4,095		9,680
			<hr/>		<hr/>
			56,887		64,114
<b>CURRENT ASSETS</b>					
Stocks	13	951		1,248	
Debtors	14	24,582		27,683	
Cash at bank and in hand		3,504		3,301	
		<hr/>		<hr/>	
		29,037		32,232	
<b>CREDITORS</b>					
Amounts falling due within one year	15	17,180		34,564	
		<hr/>		<hr/>	
<b>NET CURRENT ASSETS/(LIABILITIES)</b>			11,857		(2,332)
			<hr/>		<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			68,744		61,782
<b>CREDITORS</b>					
Amounts falling due after more than one year	16		15,040		8,800
<b>PROVISION FOR LIABILITIES AND CHARGES</b>	17		2,803		2,809
			<hr/>		<hr/>
<b>NET ASSETS</b>			50,901		50,173
			<hr/>		<hr/>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	18		43,412		43,412
Share premium	19		2,294		2,294
Profit and loss account	19		5,195		4,467
			<hr/>		<hr/>
<b>EQUITY SHAREHOLDERS' FUNDS</b>			50,901		50,173
			<hr/>		<hr/>

Approved by the board on 25<sup>th</sup> May 2001

C ROBB

Director

D SARGENT

Director

**LONDONWASTE LIMITED**  
**CONSOLIDATED CASH FLOW STATEMENT**  
**YEAR ENDED 31 DECEMBER 2000**

	<u>Note</u>	<u>2000</u> £'000	<u>1999</u> £'000
<b>RECONCILIATION OF OPERATING PROFIT TO</b>			
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>			
Operating profit		4,109	5,087
Depreciation		3,842	4,076
Decrease in stocks		364	151
Increase in debtors		(190)	(4,409)
Increase/(decrease) in creditors		2,529	(376)
Loss on disposal of fixed assets		40	(32)
Projects written off		53	-
(Decrease) in provisions		(284)	(167)
		<hr/> 10,463 <hr/>	<hr/> 4,330 <hr/>
<b>CASH FLOW STATEMENT</b>			
Net cash inflow from operating activities		10,463	4,330
Returns on investments and servicing of finance	A	(738)	(807)
Taxation (including advance corporation tax)	A	(879)	(573)
Capital expenditure	A	(2,070)	(3,918)
		<hr/> 6,776 <hr/>	<hr/> (968) <hr/>
Disposals	A	7,618	(29)
Equity dividends paid		(5,875)	(2,945)
		<hr/> 8,519 <hr/>	<hr/> (3,942) <hr/>
Financing	A	(7,971)	5,748
		<hr/> 548 <hr/>	<hr/> 1,806 <hr/>
<b>RECONCILIATION OF NET CASH FLOW TO</b>			
<b>MOVEMENT IN NET DEBT</b>			
Increase in cash in the period		548	1,806
Cash used to repay loans		7,660	2,640
Cash from new loans advanced		-	(8,900)
Capital element of finance lease payments		311	512
		<hr/> 8,519 <hr/>	<hr/> (3,942) <hr/>
Inception of new finance leases		-	(22)
Finance leases disposed with business		194	-
Short term loan capitalised		-	1,800
		<hr/> 8,713 <hr/>	<hr/> (2,164) <hr/>
Change in net debt		8,713	(2,164)
Net debt at beginning of period		(25,080)	(22,916)
		<hr/> Net debt at end of period <hr/>	<hr/> (25,080) <hr/>
Net debt at end of period	B	(16,367)	(25,080)

**LONDONWASTE LIMITED**  
**NOTES TO THE CASH FLOW STATEMENT**  
**YEAR ENDED 31 DECEMBER 2000**

**A ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT**

	<u>Note</u>	<b>2000</b> <b>£'000</b>	<b>1999</b> <b>£'000</b>
<b>Returns on investments and servicing of finance</b>			
Interest received		927	831
Interest paid		(1,612)	(1,546)
Interest element of finance lease payments		(53)	(92)
		<hr/>	<hr/>
Net cash outflow from returns on investments and servicing of finance		(738)	(807)
		<hr/>	<hr/>
<b>Taxation</b>			
Corporation tax paid		(879)	(231)
Advance corporation tax paid		-	(342)
		<hr/>	<hr/>
		(879)	(573)
		<hr/>	<hr/>
<b>Capital expenditure</b>			
Purchase of tangible fixed assets		(2,070)	(3,950)
Sale of tangible fixed assets		-	32
		<hr/>	<hr/>
Net cash outflow from capital expenditure		(2,070)	(3,918)
		<hr/>	<hr/>
<b>Disposals</b>			
Net overdrafts disposed of with business		21	-
Sale of business	12	7,597	(29)
		<hr/>	<hr/>
Net cash inflow/(outflow) from disposals		7,618	(29)
		<hr/>	<hr/>
<b>Financing</b>			
Debt due within one year:			
Repayment of loans		(5,900)	(2,640)
Debt due after more than one year:			
New loans		-	8,900
Repayment of loans		(1,760)	-
Capital element of finance lease payments		(311)	(512)
		<hr/>	<hr/>
		(7,971)	5,748
		<hr/>	<hr/>

**B ANALYSIS OF NET DEBT**

	<b>At 23 December</b> <b>1999</b> <b>£'000</b>	<b>Cash flow</b> <b>£'000</b>	<b>Other</b> <b>non-cash</b> <b>changes</b> <b>£'000</b>	<b>At</b> <b>31 December</b> <b>2000</b> <b>£'000</b>
Cash at bank and in hand	3,486	346	-	3,832
Overdrafts	(2,378)	202	-	(2,176)
	<hr/>	<hr/>	<hr/>	<hr/>
	1,108	548	-	1,656
Debt due after one year	(8,800)	1,760	(8,000)	(15,040)
Debt due within one year	(16,660)	5,900	8,000	(2,760)
Finance leases	(728)	311	194	(223)
	<hr/>	<hr/>	<hr/>	<hr/>
	(25,080)	8,519	194	(16,367)
	<hr/>	<hr/>	<hr/>	<hr/>

**LONDONWASTE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2000**

**1 ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of the accounts of the group 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) Basis of consolidation**

The group financial statements consolidate the financial statements of LondonWaste Limited and all its subsidiaries made up to 31 December 2000. Goodwill arising on consolidation prior to 23 December 1998 was written off directly to reserves and will be charged to the profit and loss account on a subsequent disposal of the related business.

No profit and loss account is presented for LondonWaste Limited in accordance with the exemption provided by Section 230 of the Companies Act 1985. The company's profit for the financial period amounted to £2,395,000 (1999 : £4,410,000).

**(c) 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 $\frac{2}{3}$ % - 20% per annum on cost
Fixtures, fittings and equipment	- 12 $\frac{1}{2}$ % per annum on cost
Motor vehicles	- 10% - 25% per annum on cost
Computer equipment	- 25% per annum on cost

**(d) Stocks**

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

**(e) 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.

**(f) Leases and hire purchase contracts**

Leasing charges in respect of operating leases are recognised in the profit and loss account over the lives of the lease agreement as incurred. Assets being acquired under finance and hire purchase contracts are capitalised in the balance sheet and are depreciated over their anticipated useful lives. Finance charges are charged to the profit and loss account over the period of the agreement so as to give a constant periodic rate of charge on the capital outstanding.

**(g) Pensions**

The group operates two pension schemes, a defined benefit scheme providing benefits for employees additional to those from the state, and a defined contributions scheme. The pension cost charge for the defined benefits scheme represents contributions payable by the group to the fund in respect of the period. Contributions in respect of the defined contributions scheme are charged to the profit and loss account in the period which they are paid.

**(h) Turnover**

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

**LONDONWASTE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2000**

**2 TURNOVER**

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

	<u>2000</u> <u>£'000</u>	<u>1999</u> <u>£'000</u>
Waste Disposal	38,915	45,054
Electricity Generation	6,631	7,382
	<u>45,546</u>	<u>52,436</u>

**3 OPERATING PROFIT**

	<u>Continuing</u> <u>activities</u> <u>£'000</u>	<u>2000</u> <u>Discontinued</u> <u>activities</u> <u>£'000</u>	<u>Total</u> <u>£'000</u>	<u>Continuing</u> <u>activities</u> <u>£'000</u>	<u>1999</u> <u>Discontinued</u> <u>activities</u> <u>£'000</u>	<u>Total</u> <u>£'000</u>
Turnover	43,343	2,203	45,546	46,368	6,068	52,436
Cost of sales	(33,196)	(1,879)	(35,075)	(36,252)	(5,140)	(41,392)
	<u>10,147</u>	<u>324</u>	<u>10,471</u>	<u>10,116</u>	<u>928</u>	<u>11,044</u>
Gross profit						
Administrative expenses	(6,004)	(358)	(6,362)	(4,899)	(1,058)	(5,957)
	<u>4,143</u>	<u>(34)</u>	<u>4,109</u>	<u>5,217</u>	<u>(130)</u>	<u>5,087</u>
Operating profit						

**4 STAFF COSTS**

Wages and salaries	6,015	6,953
Social security costs	527	616
Other pension costs	510	524
	<u>7,052</u>	<u>8,093</u>

The average monthly number of persons employed by the group during the period was 214 (1999 : 276).

**5 DIRECTORS' EMOLUMENTS**

	<u>2000</u> <u>£'000</u>	<u>1999</u> <u>£'000</u>
--	-----------------------------	-----------------------------

The remuneration of the directors of the company comprises:

Emoluments	210	203
Compensation for loss of office	-	74

	<u>Number</u>	<u>Number</u>
Number of directors to whom benefits are accruing under defined benefit schemes	2	2

The emoluments of the highest paid director during the year were £99,298 (1999 : £91,551). At 31 December 2000, the highest paid director had accrued pension benefits of £17,253 per annum and lump sum of £51,759.

**LONDONWASTE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2000**

<b>6</b>	<b>INTEREST RECEIVABLE</b>	<u><b>2000</b></u> <b>£'000</b>	<u><b>1999</b></u> <b>£'000</b>
	Bank interest	168	55
	Interest receivable on loan to related undertaking	759	776
		<hr/>	<hr/>
		927	831
		<hr/>	<hr/>
<p>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.</p>			
<b>7</b>	<b>INTEREST PAYABLE AND SIMILAR CHARGES</b>	<u><b>2000</b></u> <b>£'000</b>	<u><b>1999</b></u> <b>£'000</b>
	Loans wholly repayable within five years	1,612	721
	Loans wholly repayable within five to ten years	-	825
	Finance leases	53	92
		<hr/>	<hr/>
		1,665	1,638
		<hr/>	<hr/>
<b>8</b>	<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		
	Profit on ordinary activities before taxation is stated after charging the following:		
	Depreciation of tangible fixed assets	3,842	4,076
	Loss/(profit) on disposal of tangible fixed assets	40	(32)
	Auditors' remuneration - audit - current year	39	21
	- prior year	6	-
	- other fees	40	26
	Operating lease payments - land and buildings	112	122
	- other	186	92
	Hire of plant and machinery	243	405
		<hr/>	<hr/>
<b>9</b>	<b>TAX ON PROFIT ON ORDINARY ACTIVITIES</b>	<u><b>2000</b></u> <b>£'000</b>	<u><b>1999</b></u> <b>£'000</b>
	The charge for the period comprises:		
	Corporation tax at 30% (1999: 30.25%)	958	1,656
	Over provision in respect of prior periods	(602)	-
	Deferred taxation	293	(1,206)
		<hr/>	<hr/>
		649	450
		<hr/>	<hr/>

The tax charge attributable to the loss on sale of the trade waste business is £nil (1999: £310,000).

Included within the credit in respect of prior periods is an amount of £343,000 which has arisen from a change in tax legislation which now allows the company to claim roll-over relief pending commencement of a capital project.

**LONDONWASTE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2000**

10 DIVIDENDS	<u>2000</u>	<u>1999</u>
	£	£
"A" ordinary shares	809	2,907
"B" ordinary shares	858	2,968
	<hr/>	<hr/>
	1,667	5,875
	<hr/>	<hr/>

See note 18 (ii) for details of the dividend rights attached to the shares.

**11 TANGIBLE FIXED ASSETS**

**(a) Group**

	<u>Freehold land and buildings</u>	<u>Leasehold land</u>	<u>Capital work in progress</u>	<u>Plant and machinery</u>	<u>Fixtures fittings equipment</u>	<u>Motor vehicles</u>	<u>Total</u>
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>							
At 1 January 2000	28,426	140	2,909	36,844	1,470	2,503	72,292
Additions	-	-	1,158	677	131	104	2,070
Reclassifications	30	-	(1,218)	1,114	74	-	-
Disposals	(174)	-	(53)	(811)	(176)	(1,024)	(2,238)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2000	28,282	140	2,796	37,824	1,499	1,583	72,124
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>							
At 1 January 2000	4,107	35	-	9,555	700	1,184	15,581
Charge for the period	829	7	-	2,491	284	231	3,842
Eliminated on disposals	(4)	-	-	(592)	(125)	(467)	(1,188)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2000	4,932	42	-	11,454	859	948	18,235
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value</b>							
At 31 December 2000	23,350	98	2,796	26,370	640	635	53,889
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book amounts</b>							
At 31 December 1999	24,319	105	2,909	27,289	770	1,319	56,711
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Freehold land and buildings include assets not depreciated at a gross book value of £11,875,000.

Fixed assets includes assets held under finance leases and hire purchase contracts with a net book value of £256,000 (1999: £1,362,000). Depreciation of £322,000 (1999: £338,000) was charged during the period.



**LONDONWASTE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**11 TANGIBLE FIXED ASSETS**

**(b) Company**

	<u>Freehold land and buildings</u> £'000	<u>Leasehold land</u> £'000	<u>Capital work in progress</u> £'000	<u>Plant and machinery</u> £'000	<u>Fixtures fittings equipment</u> £'000	<u>Motor vehicles</u> £'000	<u>Total</u> £'000
<b>Cost</b>							
At 1 January 2000	28,252	140	2,909	35,279	1,352	618	68,550
Additions	-	-	1,158	658	115	-	1,931
Reclassifications	30	-	(1,218)	1,114	74	-	-
Disposals	-	-	(53)	-	(75)	(20)	(148)
At 31 December 2000	28,282	140	2,796	37,051	1,466	598	70,333
<b>Depreciation</b>							
At 1 January 2000	4,106	35	-	8,843	645	487	14,116
Charge for the period	826	7	-	2,365	274	45	3,517
Depreciation on disposals	-	-	-	-	(72)	(20)	(92)
At 31 December 2000	4,932	42	-	11,208	847	512	17,541
<b>Net book amounts</b>							
At 31 December 2000	23,350	98	2,796	25,843	619	86	52,792
<b>Net book amounts</b>							
At 31 December 1999	24,146	105	2,909	26,436	707	131	54,434

Freehold land and buildings include assets not depreciated at a gross book value of £11,875,000.

**12 INVESTMENTS**

	<u>2000</u> £'000
<b>Cost</b>	
At 1 January 2000	9,680
Additions	4,095
Disposals	(9,680)
At 31 December 2000	4,095

**LONDONWASTE LIMITED**  
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**12 INVESTMENTS (continued)**

The company had the following wholly owned subsidiary undertakings at 31 December 2000, all of which have been dealt with under the acquisition method of accounting.

<u>Company</u>	<u>Principal activity</u>
Polkacrest Limited	Provision of clinical waste collection and disposal services
Stonepark Limited	Distributor of microwave clinical waste disinfection units
Advance Waste Technology Limited	Dormant
LondonWaste Recycling Limited	Dormant

Stonepark Limited and Advance Waste Technology Limited are held by Polkacrest Limited.

**SALE OF BUSINESS**

	<u>2000</u> £'000	<u>1999</u> £'000
Net assets disposed of		
Fixed assets	957	1,018
Stocks	122	10
Debtors	2,144	-
Cash	97	-
Overdrafts	(118)	-
Creditors	(2,010)	-
Finance leases	(194)	-
Deferred tax	(269)	-
	<hr/>	<hr/>
	729	1,028
(Loss)/profit on disposal	-	953
Goodwill written back	4,858	-
	<hr/>	<hr/>
	5,587	1,981
	<hr/>	<hr/>
<b>Satisfied by:</b>		
Expenses	-	(29)
Cash	5,587	2,010
	<hr/>	<hr/>
	5,587	1,981
	<hr/>	<hr/>

The consideration receivable for the 1999 disposal was received during 2000.

On 28 April 2000, the company disposed of its wholly owned subsidiary, Polkacrest Group Limited, to SITA. On the same day, the company transferred the clinical waste businesses of Polkacrest Group Limited into a new company, Polkacrest Limited and that company acquired the shares of Stonepark Limited.

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13	STOCKS	<u>Group</u>		<u>Company</u>	
		<u>2000</u> £'000	<u>1999</u> £'000	<u>2000</u> £'000	<u>1999</u> £'000
	Consumables	1,075	1,536	951	1,248
	Goods held for resale	-	25	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
		1,075	1,561	951	1,248
		<hr/>	<hr/>	<hr/>	<hr/>
14	DEBTORS	<u>Group</u>		<u>Company</u>	
		<u>2000</u> £'000	<u>1999</u> £'000	<u>2000</u> £'000	<u>1999</u> £'000
	Trade debtors	4,759	6,771	3,872	5,016
	Amounts owed by subsidiary companies	-	-	536	581
	Amounts owed by related undertakings	18,487	19,088	18,487	19,088
	Other debtors	278	2,118	245	2,114
	Prepayments and accrued income	1,502	1,015	1,442	884
		<hr/>	<hr/>	<hr/>	<hr/>
		25,026	28,992	24,582	27,683
		<hr/>	<hr/>	<hr/>	<hr/>
15	CREDITORS	<u>Group</u>		<u>Company</u>	
		<u>2000</u> £'000	<u>1999</u> £'000	<u>2000</u> £'000	<u>1999</u> £'000
	<b>Amounts falling due within one year:</b>				
	Bank loans	2,760	16,660	2,760	16,660
	Bank overdrafts	2,176	2,378	2,174	1,911
	Trade creditors	2,872	2,706	2,483	1,660
	Amounts due to related undertakings	4,319	3,470	3,917	3,470
	Corporation tax	936	1,565	912	1,459
	Other taxation and social security	1,173	382	1,063	155
	Other creditors	144	135	133	123
	Accruals and deferred income	2,258	3,450	2,071	3,236
	Obligations under finance leases and hire purchase contracts	112	337	-	15
	Proposed dividends	1,667	5,875	1,667	5,875
		<hr/>	<hr/>	<hr/>	<hr/>
		18,417	36,958	17,180	34,564
		<hr/>	<hr/>	<hr/>	<hr/>

**LONDONWASTE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2000**

**16 CREDITORS**

	<u>Group</u>		<u>Company</u>	
	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
<b>Amounts falling due after more than one year:</b>				
Bank loans	15,040	8,800	15,040	8,800
Obligations under finance leases and hire purchase contracts	111	391	-	-
	<u>15,151</u>	<u>9,191</u>	<u>15,040</u>	<u>8,800</u>

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 2000 : £9,000,000).  
Interest on the shorter term loan is at the rate of LIBOR plus 0.75%. (Balance as at 31 December 2000 : £8,800,000).

The bank loans are repayable as follows:

	<u>Group and Company</u>	
	<u>2000</u>	<u>1999</u>
	<u>£'000</u>	<u>£'000</u>
Within one year	2,760	16,660
Between one and two years	3,760	1,760
Between two and five years	11,280	5,280
After five years	-	1,760
	<u>17,800</u>	<u>25,460</u>

The obligations under finance leases and hire purchase contracts are secured on the underlying assets (see note 11).

Obligations under finance leases and hire purchase contracts are payable as follows:

	<u>Group</u>		<u>Company</u>	
	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Within one year	112	337	-	15
Between one and five years	111	391	-	-
	<u>223</u>	<u>728</u>	<u>-</u>	<u>15</u>

**LONDONWASTE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**17 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
<b>(a) Group</b>					
At 1 January 2000	2,272	128	359	319	3,078
Charged to profit and loss account	293	-	-	-	293
Utilised during the period	-	(52)	(232)	-	(284)
Disposed with sale of business	(269)	-	-	-	(269)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2000	2,296	76	127	319	2,818
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>(b) Company</b>					
At 1 January 2000	2,003	128	359	319	2,809
Charged to profit and loss account	278	-	-	-	278
Utilised during the period	-	(52)	(232)	-	(284)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2000	2,281	76	127	319	2,803
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

The deferred tax balance comprises the following, provided for at 30% (1999: 30%) where appropriate.

	<u>2000</u>		<u>1999</u>	
	<u>Unprovided</u> £'000	<u>Provided</u> £'000	<u>Unprovided</u> £'000	<u>Provided</u> £'000
<b>(a) Group</b>				
Accelerated capital allowances	4,092	3,074	4,330	3,036
Short-term timing differences	-	(23)	-	(9)
ACT recoverable	-	(755)	-	(755)
	<hr/>	<hr/>	<hr/>	<hr/>
	4,092	2,296	4,330	2,272
	<hr/>	<hr/>	<hr/>	<hr/>
<b>(b) Company</b>				
Accelerated capital allowances	4,092	3,059	4,330	2,767
Short-term timing differences	-	(23)	-	(9)
ACT recoverable	-	(755)	-	(755)
	<hr/>	<hr/>	<hr/>	<hr/>
	4,092	2,281	4,330	2,003
	<hr/>	<hr/>	<hr/>	<hr/>

**LONDONWASTE LIMITED**  
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18 CALLED UP SHARE CAPITAL	<u>Number</u>	2000 £'000	<u>Number</u>	1999 £'000
<b>Authorised:</b>				
"A" Ordinary shares of £1 each	21,705,937	21,706	21,705,937	21,706
"B" Ordinary shares of £1 each	21,705,937	21,706	21,705,937	21,706
	<hr/>	<hr/>	<hr/>	<hr/>
	43,411,874	43,412	43,411,874	43,412
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Allotted, and fully paid</b>				
"A" Ordinary shares of £1 each	21,705,937	21,706	21,705,937	21,706
"B" Ordinary shares of £1 each	21,705,937	21,706	21,705,937	21,706
	<hr/>	<hr/>	<hr/>	<hr/>
	43,411,874	43,412	43,411,874	43,412
	<hr/>	<hr/>	<hr/>	<hr/>

The "A" and "B" shares rank pari passu in all respects 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" shareholders 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 the "A" shareholders 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.

**19 RESERVES**

(a) Group	<u>Share Premium £'000</u>	<u>Profit and loss account £'000</u>
At 1 January 2000	2,294	(4,183)
Goodwill previously written off	-	4,858
Retained profit for the period	-	1,055
	<hr/>	<hr/>
At 31 December 2000	2,294	1,730
	<hr/>	<hr/>
 (b) Company		
At 1 January 2000	2,294	4,467
Retained profit for the period	-	728
	<hr/>	<hr/>
At 31 December 2000	2,294	5,195
	<hr/>	<hr/>

The cumulative amount of goodwill written off against reserves is £4,165,000 (1999: £9,023,000).

**LONDONWASTE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**20 EQUITY SHAREHOLDERS' FUNDS**

	<u>2000</u> £'000	<u>1999</u> £'000
The reconciliation of movements in shareholders' funds is as follows:		
Profit for the financial period	2,722	4,783
Dividends	(1,667)	(5,875)
Share capital paid	-	1,800
	<hr/>	<hr/>
Goodwill previously written off	1,055 4,858	708 -
	<hr/>	<hr/>
Net addition to shareholders' funds	5,913	708
Opening shareholders' funds	41,523	40,815
	<hr/>	<hr/>
Closing shareholders' funds	47,436	41,523
	<hr/> <hr/>	<hr/> <hr/>

**21 OPERATING LEASES**

At 31 December 2000 there are annual commitments under operating leases as follows:

(a) Group	<u>Land and buildings</u> <u>2000</u> £'000	<u>Plant and machinery</u> <u>2000</u> £'000	<u>Land and buildings</u> <u>1999</u> £'000	<u>Plant and machinery</u> <u>1999</u> £'000
Expiring within one year	-	66	-	21
Expiring between one and five years	17	82	-	136
Expiring in more than five years	87	171	161	-
	<hr/>	<hr/>	<hr/>	<hr/>
	104	319	161	157
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
(b) Company	<u>Land and buildings</u> <u>2000</u> £'000	<u>Plant and machinery</u> <u>2000</u> £'000	<u>Land and buildings</u> <u>1999</u> £'000	<u>Plant and machinery</u> <u>1999</u> £'000
Expiring within one year	-	26	-	21
Expiring between one and five years	-	69	-	70
Expiring in more than five years	68	-	68	-
	<hr/>	<hr/>	<hr/>	<hr/>
	68	95	68	91
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**22 CAPITAL COMMITMENTS**

	<u>2000</u> £'000	<u>1999</u> £'000
Authorised and contracted	502	411
	<hr/> <hr/>	<hr/> <hr/>

**LONDONWASTE LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
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**23 CONTINGENT LIABILITIES**

The company had provided a performance bond to the North London Waste Authority of £1,060,000 (1999: £510,000) and Hertfordshire County Council of £150,000 at the period end.

**24 PENSIONS**

LondonWaste Limited operates a defined benefit 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 1998. 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 £477,000 (1999: £468,000).

The most recent actuarial valuation showed that the market value of the scheme's assets was £2,112,000 and that the actuarial value of those assets represented 83% 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 12.4% and 5.8% respectively on the closed part of the scheme, and 10.7% and 5% respectively for the ongoing part of the scheme.

Amounts charged to the profit and loss account during the period for the defined contributions pension scheme were £33,000 (1999: £56,000).

**25 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 £20,858,000 (1999: £22,071,000) of the total turnover disclosed in the accounts. Included within trade debtors as at 31 December 2000 is an amount due from NLWA to the company of £2,182,000 (1999: £1,780,000).

In addition at 31 December 2000 NLWA owed the company £4,690,000 (1999: £5,393,000) representing amounts owed in respect of landfill tax reclaimed and compensation payments arising from the loss of electricity generation income. Total compensation receivable from NLWA during the period was £3,470,000 (1999: £3,434,000).

SITA

SITA, through a subsidiary, provides the company with landfill space which has cost the company £5,023,000 (1999: £3,542,000) 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 £660,000 (1999: £730,000) in management fees for this service. Certain subsidiary companies of SITA UK have been used for transport and tipping of lime residue and ash residue during the period which has cost £879,000 (1999: £214,000). Other subsidiaries of SITA, used the company's facilities for the disposal of waste and accounted for £1,559,000 (1999: £369,000) of turnover.

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. The interest receivable related to the period is £759,000 (1999: £775,000).



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**25 CONTROLLING AND RELATED PARTY DISCLOSURES (continued)**

At 31 December 1999 the company had the following balances with SITA:

	<u>2000</u> £'000	<u>1999</u> £'000
Loan due from SITA	13,416	13,695
Amounts due to SITA	3,917	3,470
Amounts due to SITA (included in trade creditors)	255	215
Amounts due from SITA (included in trade debtors)	433	212
	<hr/> <hr/>	<hr/> <hr/>

Other

As permitted by Financial Reporting Standard 8, "Related Party Transactions", the financial statements do not disclose transactions between the parent company and its subsidiaries to the extent that the transactions have been eliminated on consolidation.