

LONDONWASTE LIMITED
(Registered Number 2732548)

FINANCIAL STATEMENTS

PERIOD ENDED 22 DECEMBER 1998



PANNELL KERR FORSTER
Chartered Accountants

LONDONWASTE LIMITED
(Registered Number 2732548)
ANNUAL REPORT
PERIOD ENDED 22 DECEMBER 1998

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**LONDONWASTE LIMITED
REPORT AND FINANCIAL STATEMENTS
PERIOD ENDED 22 DECEMBER 1998**

OFFICERS AND REGISTERED OFFICE

Directors:

M Dewar	(Appointed 1 July 1998) (Chair)
J Pearson	(Resigned 1 July 1998))
R Barlow	
P Carneau	
P Cunneen	(Resigned 1 July 1998)
I Goodfellow	(Appointed 19 June 1998)
J Lebel	(Resigned 19 June 1998)
I Perry	
C Robb	(Appointed 1 July 1998)
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 period from 1 January 1998 to 22 December 1998. Comparative figures are for the year ended 31 December 1997.

RESULTS AND DIVIDENDS

The profit for the period after taxation was £6,597,000. The directors propose a dividend of £2,945,000.

REVIEW OF THE BUSINESS

The main activities of the Company and its subsidiaries is the treatment and disposal of waste, including disposal by way of the energy-from-waste plant operated by the Company.

The Company continued to expand its waste management operations with a consequent increase in turnover and profitability. As an accredited reprocessor under the Packaging Waste Regulations, the Company began to issue packaging recovery notes in 1998. This recovery and recycling initiative has generated net income which will be re-invested in packaging waste recovery projects.

In December 1998 the Company acquired a 100% interest in Polkacrest Group Limited and its wholly owned subsidiaries. The Directors believe that this acquisition will broaden and strengthen the Company's business. In preparing the consolidated accounts, the goodwill of £9,023,000 arising from the acquisition has been written off against reserves.

EVENTS SINCE THE PERIOD 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 expects its income from electricity generation to fall in 1999 due to the ending of Non Fossil Fuel Obligation 1 which gave support to certain renewable energy generation projects. However, waste income will increase again in 1999 and with the benefit of profit generation and synergy opportunities available through the newly acquired Polkacrest Group, the Directors expect the Company's consolidated profitability to remain satisfactory.

CHARITABLE DONATIONS

During the period, the company made charitable donations of £1,400 (1997: £150).

YEAR 2000

The Company has reviewed the potential impact of the Year 2000 on computer software and related computer technology. The review revealed no major concerns and an ongoing programme is being carried out to address certain areas needing attention. The cost of addressing these areas has been quantified and the total cost is not expected to exceed £100,000.

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.

LONDONWASTE LIMITED
DIRECTORS' REPORT
(Continued)

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

15/4/ 1999

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 24 which have been prepared under the accounting policies set out on page 11 and 12.

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.

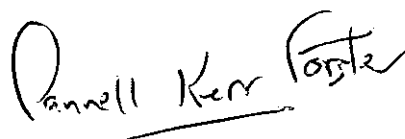
Basis of opinion

We conducted our audit in accordance with Auditing Standards. 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 and group as at 22 December 1998 and of the group's profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



PANNELL KERR FORSTER
Chartered Accountants
Registered Auditors

London

15 April 1999

LONDONWASTE LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
PERIOD ENDED 22 DECEMBER 1998

		<u>1998</u> £'000	<u>1997</u> £'000
Turnover	2	40,728	35,361
Cost of sales		(26,995)	(25,448)
Gross profit		13,733	9,913
Administrative expenses		(6,684)	(3,926)
Operating profit		7,049	5,987
Interest receivable	5	930	878
Interest payable and similar charges	6	(1,413)	(1,308)
Profit on ordinary activities before taxation	7	6,566	5,557
Tax on profit on ordinary activities	8	31	(1,982)
Profit for the period before dividends		6,597	3,575
Proposed dividend	9	(2,945)	(2,745)
Retained profit for the financial period	18	3,652	830

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

All items stated in the profit and loss account relate to continuing business. Results of acquired businesses are not material in the period.

LONDONWASTE LIMITED
CONSOLIDATED BALANCE SHEET
22 DECEMBER 1998

			<u>1998</u>	<u>1997</u>
	<u>Notes</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
FIXED ASSETS				
Tangible assets	10		57,843	55,428
CURRENT ASSETS				
Stocks	12	1,712		1,672
Debtors	13	22,573		23,273
Cash at bank and in hand		1,638		1,369
		<u>25,923</u>		<u>26,314</u>
CREDITORS				
Amounts falling due within one year	14	20,659		12,944
		<u>20,659</u>		<u>12,944</u>
NET CURRENT ASSETS			5,264	13,370
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>63,107</u>	<u>68,798</u>
CREDITORS				
Amounts falling due after more than one year	15		18,184	20,120
PROVISION FOR LIABILITIES AND CHARGES	16		4,108	2,492
			<u>4,108</u>	<u>2,492</u>
NET ASSETS			<u>40,815</u>	<u>46,186</u>
CAPITAL AND RESERVES				
Called up share capital	17		41,612	41,612
Share premium	18		2,294	2,294
Profit and loss account	18		(3,091)	2,280
			<u>40,815</u>	<u>46,186</u>
EQUITY SHAREHOLDERS' FUNDS	19		<u>40,815</u>	<u>46,186</u>

Approved by the board on 15 April 1999

M DEWAR

Director


D SARGENT

Director

LONDONWASTE LIMITED
COMPANY BALANCE SHEET
22 DECEMBER 1998

			<u>1998</u>	<u>1997</u>
	<u>Notes</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
FIXED ASSETS				
Tangible assets	10		55,699	55,428
Investments	11		9,680	-
			<hr/>	<hr/>
			65,379	55,428
CURRENT ASSETS				
Stocks	12	1,434		1,672
Debtors	13	20,850		23,273
Cash at bank and in hand		1,579		1,369
		<hr/>	<hr/>	<hr/>
		23,863		26,314
CREDITORS				
Amounts falling due within one year	14	18,089		12,944
		<hr/>	<hr/>	<hr/>
NET CURRENT ASSETS			5,774	13,370
			<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES			71,153	68,798
CREDITORS				
Amounts falling due after more than one year	15		17,440	20,120
PROVISION FOR LIABILITIES AND CHARGES	16		3,875	2,492
			<hr/>	<hr/>
NET ASSETS			49,838	46,186
			<hr/>	<hr/>
CAPITAL AND RESERVES				
Called up share capital	17		41,612	41,612
Share premium	18		2,294	2,294
Profit and loss account	18		5,932	2,280
			<hr/>	<hr/>
EQUITY SHAREHOLDERS' FUNDS			49,838	46,186
			<hr/>	<hr/>

Approved by the board on 15 April 1999


M DEWAR

Director


D SARGENT

Director

LONDONWASTE LIMITED
CONSOLIDATED CASH FLOW STATEMENT
PERIOD ENDED 22 DECEMBER 1998

	<u>Note</u>	<u>1998</u> £'000	<u>1997</u> £'000
RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES			
Operating profit		7,049	5,987
Depreciation		3,397	3,242
Decrease/(increase) in stocks		238	(486)
Decrease/(increase) in debtors		1,758	(4,002)
Increase/(decrease) in creditors		2,695	(1,994)
Loss on disposal of fixed assets		10	-
Increase in provisions		181	-
		<hr/> 15,328	<hr/> 2,747
		<hr/> <hr/>	<hr/> <hr/>
CASH FLOW STATEMENT			
Net cash inflow from operating activities		15,328	2,747
Returns on investments and servicing of finance	A	68	(477)
Taxation (including advance corporation tax)	A	(80)	(1,576)
Capital expenditure	A	(3,678)	(5,221)
		<hr/> 11,638	<hr/> (4,527)
Acquisitions and disposals	A	(10,060)	-
Equity dividends paid		(2,745)	(2,744)
		<hr/> (1,167)	<hr/> (7,271)
Financing	A	(900)	7,100
		<hr/> (2,067)	<hr/> (171)
		<hr/> <hr/>	<hr/> <hr/>
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT			
Decrease in cash in the period		(2,067)	(171)
Cash used to repay loan		900	900
Cash from new loan advanced		-	(8,000)
Finance leases from acquisition		(1,218)	-
		<hr/> (2,385)	<hr/> (7,271)
Change in net debt		(2,385)	(7,271)
Net debt at 1 January 1998		(20,531)	(13,260)
		<hr/> (22,916)	<hr/> (20,531)
		<hr/> <hr/>	<hr/> <hr/>
Net debt at 22 December 1998	B	(22,916)	(20,531)

LONDONWASTE LIMITED
NOTES TO THE CASH FLOW STATEMENT
PERIOD ENDED 22 DECEMBER 1998

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

	<u>1998</u> £'000	<u>1997</u> £'000
Returns on investments and servicing of finance		
Interest received	930	879
Interest paid	(862)	(1,356)
	<hr/>	<hr/>
Net cash inflow/(outflow) from returns on investments and servicing of finance	68	(477)
	<hr/>	<hr/>
Taxation		
Corporation tax repaid/(paid)	606	(890)
Advance corporation tax paid	(686)	(686)
	<hr/>	<hr/>
	(80)	(1,576)
	<hr/>	<hr/>
Capital expenditure		
Purchase of tangible fixed assets	(3,711)	(5,221)
Sale of tangible fixed assets	33	-
	<hr/>	<hr/>
Net cash outflow from capital expenditure	(3,678)	(5,221)
	<hr/>	<hr/>
Acquisitions and disposals		
Purchase of subsidiary undertaking	(9,612)	-
Net overdrafts acquired with subsidiary	(448)	-
	<hr/>	<hr/>
Net cash outflow from acquisitions and disposals	(10,060)	-
	<hr/>	<hr/>
Financing		
Debt due within one year:		
Repayment of loans	(900)	(900)
Debt due after more than one year:		
New loans	-	8,000
	<hr/>	<hr/>
	(900)	7,100
	<hr/>	<hr/>

B ANALYSIS OF NET DEBT

	At 1 January <u>1998</u> £'000	Cash flow £'000	Acquisition (excluding cash and overdrafts) £'000	Other non-cash changes £'000	At 22 December <u>1998</u> £'000
Cash at bank and in hand	1,369	269	-	-	1,638
Overdrafts	-	(2,336)	-	-	(2,336)
		<hr/>			
		(2,067)			
Debt due after one year	(20,120)	-	-	2,680	(17,440)
Debt due within one year	(1,780)	900	-	(2,680)	(3,560)
Finance leases	-	-	(1,218)	-	(1,218)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	(20,531)	(1,167)	(1,218)	-	(22,916)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Included within debt due within one year is an amount of £1,800,000 (1997: £nil) due from related undertakings.

LONDONWASTE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
PERIOD ENDED 22 DECEMBER 1998

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 22 December 1998. Goodwill arising on consolidation was written off directly to reserves.

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 £6,597,000 (1997: £3,575,000).

(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	- 6½% - 20% per annum on cost
Fixtures, fittings and equipment	- 12½% 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.

LONDONWASTE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
PERIOD ENDED 22 DECEMBER 1998

1 ACCOUNTING POLICIES (Continued)

(h) Turnover

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

2 TURNOVER

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

	<u>1998</u> £'000	<u>1997</u> £'000
Waste Disposal	24,013	19,107
Electricity Generation	16,715	16,254
	<hr/> 40,728 <hr/>	<hr/> 35,361 <hr/>

3 STAFF COSTS

Wages and salaries	7,117	6,359
Social security costs	525	507
Other pension costs	543	538
	<hr/> 8,185 <hr/>	<hr/> 7,404 <hr/>

The average monthly number of persons employed by the company during the period was 195 (1997: 216).

Included within the above costs is an amount of £2,213,000 in respect of redundancy and contract buy-out costs.

4 DIRECTORS' EMOLUMENTS

The remuneration of the directors of the company comprises:

Emoluments	174	169
	<hr/>	<hr/>
	<u>Number</u>	<u>Number</u>
Number of directors to whom benefits are accruing under defined benefit schemes	2	2
	<hr/>	<hr/>

5 INTEREST RECEIVABLE

	<u>1998</u> £'000	<u>1997</u> £'000
Bank interest	163	92
Interest receivable on loan to related undertaking	767	786
	<hr/> 930 <hr/>	<hr/> 878 <hr/>

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.

LONDONWASTE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
PERIOD ENDED 22 DECEMBER 1998

6 INTEREST PAYABLE AND SIMILAR CHARGES	<u>1998</u> £'000	<u>1997</u> £'000
Loans wholly repayable within five years	248	224
Loans wholly repayable within five to ten years	1,165	1,071
Other loans	-	13
	<hr/>	<hr/>
	1,413	1,308
	<hr/> <hr/>	<hr/> <hr/>

7 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before
taxation is stated after charging the following:

Depreciation of tangible fixed assets	3,397	3,242
Auditors' remuneration - audit	20	17
- other fees	13	3
Operating lease payments - land and buildings	71	82
- other	76	111
Hire of plant and machinery	218	318
Redundancy and contract buy-out costs	2,213	-
	<hr/>	<hr/>

Further fees of £17,000 (1997: £nil) have been capitalised in respect of auditors' remuneration for other services.

8 TAX ON PROFIT ON ORDINARY ACTIVITIES	<u>1998</u> £'000	<u>1997</u> £'000
The charge for the period comprises:		
Corporation tax at 31% (1997: 33% and 31%)	1,171	1,807
Overprovision in respect of prior periods	(3,502)	-
Deferred taxation	2,300	175
	<hr/>	<hr/>
	(31)	1,982
	<hr/> <hr/>	<hr/> <hr/>

The tax charge for the period has been reduced due to the availability of losses from prior periods. The resulting adjustments to prior period charges and the deferred tax provision arise due to the acceptance of capital allowance claims made in those periods and the subsequent tax losses arising from those claims.

9 DIVIDENDS

"A" ordinary shares	1,440	1,338
"B" ordinary shares	1,505	1,407
	<hr/>	<hr/>
	2,945	2,745
	<hr/> <hr/>	<hr/> <hr/>

See note 17 (ii) for details of the dividend rights attached to the shares.

LONDONWASTE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
PERIOD ENDED 31 DECEMBER 1998

10 TANGIBLE FIXED ASSETS

(a) Group

	Freehold land and buildings	Leasehold land	Capital work in progress	Plant and machinery	Fixtures fittings equipment	Motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost							
At 1 January 1998	28,088	140	1,019	31,736	961	1,116	63,060
Additions	108	-	2,843	126	451	183	3,711
Reclassifications	46	-	(2,531)	2,485	-	-	-
On acquisition	125	-	-	1,375	94	1,721	3,315
Disposals	-	-	(26)	(15)	(8)	(2)	(51)
At 22 December 1998	28,367	140	1,305	35,707	1,498	3,018	70,035
Depreciation							
At 1 January 1998	2,479	21	-	4,351	300	481	7,632
Charge for the period	802	7	-	2,184	232	172	3,397
On acquisition	-	-	-	537	38	596	1,171
Eliminated on disposals	-	-	-	-	(6)	(2)	(8)
At 22 December 1998	3,281	28	-	7,072	564	1,247	12,192
Net book value							
At 22 December 1998	25,086	112	1,305	28,635	934	1,771	57,843
Net book amounts							
At 31 December 1997	25,609	119	1,019	27,385	661	635	55,428

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 £1,816,000 (1997: £Nil). No depreciation has been charged during the period.

These may be analysed as follows:

	£'000
Plant and machinery	685
Fixtures and fittings	24
Motor vehicles	1,107
	1,816

LONDONWASTE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
PERIOD ENDED 31 DECEMBER 1998

10 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
Cost							
At 1 January 1998	28,088	140	1,019	31,736	961	1,116	63,060
Additions	108	-	2,843	126	451	183	3,711
Reclassifications	46	-	(2,531)	2,485	-	-	-
Disposals	-	-	(26)	(15)	(8)	(2)	(51)
At 31 December 1998	28,242	140	1,305	34,332	1,404	1,297	66,720
Depreciation							
At 1 January 1998	2,479	21	-	4,351	300	481	7,632
Charge for the period	802	7	-	2,184	232	172	3,397
Depreciation on disposals	-	-	-	-	(6)	(2)	(8)
At 31 December 1998	3,281	28	-	6,535	526	651	11,021
Net book amounts							
At 22 December 1998	24,961	112	1,305	27,797	878	646	55,699
Net book amounts							
At 31 December 1997	25,609	119	1,019	27,385	661	635	55,428

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

LONDONWASTE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
PERIOD ENDED 22 DECEMBER 1998

11 INVESTMENTS

Company

Investments in subsidiary undertakings

	<u>1998</u> £'000	<u>1997</u> £'000
Cost less amounts written off:		
Additions in the period	9,680	-
	<hr/>	<hr/>
At 22 December 1998	9,680	-
	<hr/> <hr/>	<hr/> <hr/>

Subsidiary undertakings

The company had the following wholly owned subsidiary undertakings at 22 December 1998, all of which have been dealt with under the acquisition method of accounting.

<u>Company</u>	<u>Principal activity</u>
Polkacrest Group Limited	Holding company
Polkacrest Holdings Limited	Hire of waste disposal vehicles and provision of management services
Polkacrest Limited	Provision of waste collection and disposal services
Stonepark Limited	Distributor of microwave clinical waste disinfection units
Advance Waste Technology Limited	Dormant
LondonWaste Recycling Limited	Dormant

Polkacrest Group Limited and LondonWaste Recycling Limited are both directly held by the company. All other subsidiaries are held indirectly through Polkacrest Group Limited.

The accounting reference date of the subsidiaries is 31 December. The directors do not consider any adjustments arising from the difference in accounting periods to be material and it is their intention that the next accounting periods will all be coterminous.

12 STOCKS

	<u>1998</u> £'000	<u>Group</u> <u>1997</u> £'000	<u>1998</u> £'000	<u>Company</u> <u>1997</u> £'000
Consumables	1,662	1,672	1,434	1,672
Goods held for resale	50	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	1,712	1,672	1,434	1,672
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

LONDONWASTE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
PERIOD ENDED 22 DECEMBER 1998

13 DEBTORS

	<u>Group</u>		<u>Company</u>	
	<u>1998</u>	<u>1997</u>	<u>1998</u>	<u>1997</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Trade debtors	8,170	7,728	6,606	7,728
Amounts owed by related undertakings	13,963	14,269	13,963	14,269
Advance corporation tax	-	686	-	686
Other debtors	28	17	6	17
Prepayments and accrued income	412	573	275	573
	<u>22,573</u>	<u>23,273</u>	<u>20,850</u>	<u>23,273</u>

£nil (1997: £686,000) of Advance Corporation Tax is recoverable in more than one year.

14 CREDITORS

	<u>Group</u>		<u>Company</u>	
	<u>1998</u>	<u>1997</u>	<u>1998</u>	<u>1997</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Amounts falling due within one year:				
Bank loans	1,760	1,780	1,760	1,780
Bank overdrafts	2,336	-	1,829	-
Trade creditors	1,827	1,982	539	1,982
Amounts due to related undertakings	4,620	2,217	4,620	2,217
Corporation tax	825	2,757	758	2,757
Other taxation and social security	1,622	743	1,457	743
Other creditors	62	2	58	2
Accruals and deferred income	4,188	718	4,123	718
Obligations under finance leases and hire purchase contracts	474	-	-	-
Proposed dividends	2,945	2,745	2,945	2,745
	<u>20,659</u>	<u>12,944</u>	<u>18,089</u>	<u>12,944</u>

Included within bank overdrafts is an amount of £500,000 secured by fixed and floating charges over the assets of Polkacrest Limited.

15 CREDITORS

	<u>Group</u>		<u>Company</u>	
	<u>1998</u>	<u>1997</u>	<u>1998</u>	<u>1997</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Amounts falling due after more than one year:				
Bank loans	17,440	18,320	17,440	18,320
Loans from related undertaking	-	1,800	-	1,800
Obligations under finance leases and hire purchase contracts	744	-	-	-
	<u>18,184</u>	<u>20,120</u>	<u>17,440</u>	<u>20,120</u>

LONDONWASTE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
PERIOD ENDED 22 DECEMBER 1998

15 CREDITORS (Continued)

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 22 December 1998 : £13,200,000).
Interest on the shorter term loan is at the rate of LIBOR plus 0.75%. (Balance as at 22 December 1998 : £6,000,000).

The bank loans are repayable as follows:

	<u>Group and Company</u>	
	<u>1998</u> £'000	<u>1997</u> £'000
Within one year	1,760	1,780
Between one and two years	7,760	1,760
Between two and five years	5,280	11,280
After five years	4,400	5,280
	<hr/>	<hr/>
	19,200	20,100
	<hr/>	<hr/>

The obligations under finance leases and hire purchase contracts are secured on the underlying assets (see note 10).

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

	<u>Group</u>		<u>Company</u>	
	<u>1998</u> £'000	<u>1997</u> £'000	<u>1998</u> £'000	<u>1997</u> £'000
Within one year	474	-	-	-
Between one and five years	744	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	1,218	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

LONDONWASTE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
PERIOD ENDED 22 DECEMBER 1998

16 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
(a) Group					
At 1 January 1998	1,700	132	341	319	2,492
Charged to profit and loss account	2,300	150	163	-	2,613
Utilised during the period	-	(132)	-	-	(132)
Acquired with subsidiary	233	-	-	-	233
ACT recoverable set-off	(1,098)	-	-	-	(1,098)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 22 December 1998	3,135	150	504	319	4,108
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
(b) Company					
At 1 January 1998	1,700	132	341	319	2,492
Charged to profit and loss account	2,300	150	163	-	2,613
Utilised during the period	-	(132)	-	-	(132)
ACT recoverable set-off	(1,098)	-	-	-	(1,098)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 22 December 1998	2,902	150	504	319	3,875
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

The deferred tax balance comprises the following, provided for at 31% (1997: 31%) where appropriate.

(a) Group	<u>Unprovided</u>	<u>1998</u> <u>Provided</u>	<u>Unprovided</u>	<u>1997</u> <u>Provided</u>
	£'000	£'000	£'000	£'000
Accelerated capital allowances	2,725	4,573	-	1,778
Short-term timing differences	-	(340)	-	(78)
ACT recoverable	-	(1,098)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	2,725	3,135	-	1,700
	<hr/>	<hr/>	<hr/>	<hr/>
(b) Company				
Accelerated capital allowances	2,725	4,340	-	1,778
Short-term timing differences	-	(340)	-	(78)
ACT recoverable	-	(1,098)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	2,725	2,902	-	1,700
	<hr/>	<hr/>	<hr/>	<hr/>

LONDONWASTE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
PERIOD ENDED 22 DECEMBER 1998

17 CALLED UP SHARE CAPITAL

	<u>Number</u>	<u>£'000</u>
Authorised:		
"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 1997 and 22 December 1998	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
- partly paid	2,000,000	200
	<hr/>	<hr/>
At 31 December 1997 and 22 December 1998	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" 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.

18 RESERVES

	<u>Share Premium</u> £'000	<u>Profit and loss account</u> £'000
(a) Group		
At 1 January 1998	2,294	2,280
Retained profit for the period	-	3,652
Goodwill written off	-	(9,023)
	<hr/>	<hr/>
At 22 December 1998	2,294	(3,091)
	<hr/>	<hr/>
The cumulative amount of goodwill written off against reserves is £9,023,000.		
(b) Company		
At 1 January 1998	2,294	2,280
Retained profit for the period	-	3,652
	<hr/>	<hr/>
At 22 December 1998	2,294	5,932
	<hr/>	<hr/>

LONDONWASTE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
PERIOD ENDED 22 DECEMBER 1998

19 EQUITY SHAREHOLDERS' FUNDS

	<u>1998</u> £'000	<u>1997</u> £'000
The reconciliation of movements in shareholders' funds is as follows:		
Profit for the financial period	6,597	3,575
Dividends	(2,945)	(2,745)
	<hr/>	<hr/>
Goodwill written off	3,652 (9,023)	830 -
	<hr/>	<hr/>
Net (deduction from)/addition to shareholders' funds	(5,371)	830
Balance at 1 January 1998	46,186	45,356
	<hr/>	<hr/>
Balance at 22 December 1998	40,815	46,186
	<hr/> <hr/>	<hr/> <hr/>

20 PURCHASE OF SUBSIDIARY UNDERTAKINGS

	£'000
Net assets acquired	
Tangible fixed assets	2,144
Stock	278
Debtors	1,744
Cash at bank and in hand	59
Creditors	(1,610)
Finance leases	(1,218)
Deferred tax	(233)
Bank overdrafts	(507)
	<hr/>
Goodwill	657 9,023
	<hr/>
	9,680
	<hr/> <hr/>
Satisfied by	
Cash	9,500
Costs related to acquisition	180
	<hr/>
	9,680
	<hr/> <hr/>

On 17 December 1998, the company acquired the entire share capital of Polkacrest Group Limited. The book value at acquisition represented the fair value to the group.

LONDONWASTE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
PERIOD ENDED 22 DECEMBER 1998

20 PURCHASE OF SUBSIDIARY UNDERTAKINGS (Continued)

Contingent consideration

Included within the consideration is an amount of £2,500,000 which is contingent and has been paid in cash into escrow. This represents the full potential amount payable. The principal factors that will affect the amount of consideration payable are:

- (i) The amount of profits of the acquired companies in the six months ended 30 June 1999. The range of possible outcomes based on this factor is £Nil to £2,000,000.
- (ii) The amount of turnover and profits of the acquired companies in the year ended 31 December 1999. The possible outcomes based on these factors are £Nil, £250,000 or £500,000 plus any shortfall from £2,000,000 in the calculation in (i) above.

Accordingly, the cash consideration has only been determined on a provisional basis.

Post acquisition results

No results have been included for trading in the period from 17 December 1998 to 22 December 1998 on the grounds that any adjustments necessary would be immaterial.

Additional disclosures required in respect of substantial acquisitions.

	<u>Period to acquisition</u> £'000
Turnover	9,550
Operating profit	483
Profit before taxation	320
Taxation	168
Profit after taxation	152

The period up to the date of acquisition began on 1 January 1998. The profit after tax for the acquired companies for the year ended 31 December 1997 was £180,000.

21 OPERATING LEASES

At 31 December 1998 there are annual commitments under operating leases as follows:

(a) Group	<u>Land and buildings</u> <u>1998</u> £'000	<u>Plant and machinery</u> <u>1998</u> £'000	<u>Land and buildings</u> <u>1997</u> £'000	<u>Plant and machinery</u> <u>1997</u> £'000
Expiring within one year	-	23	-	28
Expiring between one and five years	-	112	-	48
Expiring in more than five years	68	-	80	-
	<u>68</u>	<u>135</u>	<u>80</u>	<u>76</u>
(b) Company	<u>Land and buildings</u> <u>1998</u> £'000	<u>Plant and machinery</u> <u>1998</u> £'000	<u>Land and buildings</u> <u>1997</u> £'000	<u>Plant and machinery</u> <u>1997</u> £'000
Expiring within one year	-	7	-	28
Expiring between one and five years	-	56	-	48
Expiring in more than five years	68	-	80	-
	<u>68</u>	<u>63</u>	<u>80</u>	<u>76</u>

LONDONWASTE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
PERIOD ENDED 22 DECEMBER 1998

22 CAPITAL COMMITMENTS	<u>1998</u> £'000	<u>1997</u> £'000
Authorised and contracted	118	1,879

23 CONTINGENT LIABILITIES

The company had provided a performance bond to the North London Waste Authority of £510,000 (1997: £510,000) at the period end.

24 PENSIONS

LondonWaste Limited 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 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 £543,000 (1997: £538,000).

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 £nil (1997: £nil).

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 £13,600,000 (1997: £12,671,000) of the total turnover disclosed in the accounts. Included within trade debtors as at 22 December 1998 is an amount due from NLWA to the company of £2,459,000 (1997: £2,454,000).

In addition at 22 December 1998 NLWA owed the company £407,000 (1997: £394,000). A further amount for £440,000 was included in prepayments in 1997 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 £3,094,000 (1997: £51,000) 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 (1997: £778,000) in management fees for this service. Nene Valley Waste, another subsidiary, has been used for transport and tipping of lime residue during the period which has cost £186,000 (1997: £275,000). BFI, which became a subsidiary of SITA during the period, used the company's facilities for the disposal of waste and accounted for £190,000 of turnover.

LONDONWASTE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
PERIOD ENDED 22 DECEMBER 1998

25 CONTROLLING AND RELATED PARTY DISCLOSURES (Continued)

The company also has a £1,800,000 (1997: £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. The interest receivable related to the period is £767,000 (1997: £786,000).

At 22 December 1998 the company had the following balances with SITA:

	<u>1998</u> £'000	<u>1997</u> £'000
Loan due from SITA	13,556	13,876
Amounts due to SITA	4,620	4,017
Amounts due to Midland Land Reclamation (included in trade creditors)	-	15
Amounts due to Nene Valley Waste (included in trade creditors)	-	32
Amounts due from BFI (included in trade debtors)	49	-
	<hr/> <hr/>	<hr/> <hr/>

Other

During the period, The company acquired Polkacrest Group Limited. The company had previously invoiced Polkacrest £139,000 for the disposal of waste.

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.