

Landfill Management Limited

**Directors' report and financial
statements**

Registered number 2069821

31 March 2000



Contents

Directors report	1
Statement of directors' responsibilities	2
Auditors' report to the members of Landfill Management Limited	3
Profit and loss account	4
Balance sheet	5
Cash flow statement	6
Reconciliation of movements in shareholder's funds	7
Notes	8

Directors report

The directors present their annual report and the audited financial statements for the year ended 31 March 2000.

Principal activities

The principal activity of the company is that of providing refuse disposal services.

The company has been set up in accordance with the Environmental Protection Act 1990. The company is a wholly owned subsidiary of Wigan Metropolitan Borough Council. There are a number of operating agreements concerning the day to day activities of the company. These agreements include a contract for disposing of the domestic and trade waste arising in the Metropolitan Borough of Wigan.

Business review

The results for the year are set out on page 4 of these financial statements.

Following rejection of the company's application for planning permission to extend the active landfill site, a review of the carrying value of this site and the associated plant and equipment was performed in accordance with FRS11: Impairment of Fixed Assets and Goodwill. As a result, the carrying value is considered by the directors to be impaired and an exceptional additional depreciation charge of £947,294 was made to recognise this impairment loss.

During the year, the company contributed 20% of Landfill tax liability to an approved body. This resulted in a cost of £39,133 (1999: £33,318) charged to the profit and loss account.

Proposed dividend and transfer to reserves

The directors do not recommend the payment of a dividend.

The loss for the year retained in the company is £1,484,191.

Directors and directors' interests

The directors who held office during the year were as follows:

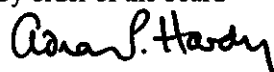
N Turner
MH Gallagher
PH Sawbridge (resigned 17 January 2000)
A Postlewaite
MP Honor
JG Valentine (appointed 20 January 2000)

None of the directors who held office at the end of the financial year had any disclosable interest in the shares and debentures of the company.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



AP Hardy
Secretary

The Investment Centre
Waterside Drive
Off Swan Meadow Road
Wigan WN3 5BA

27th October 2000

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 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;
- 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 maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



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PRESTON
PR2 2YF

Auditors' report to the members of Landfill Management Limited

We have audited the financial statements on pages 4 to 17.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG
Chartered Accountants
Registered Auditors

31 October, 2000

Profit and loss account

for the year ended 31 March 2000

	Note	2000 £	1999 £
Turnover from continuing operations	2	3,178,812	3,247,823
Cost of sales - normal		(3,561,952)	(3,491,869)
- exceptional	3	(941,625)	-
Gross loss		(1,324,765)	(244,046)
Administrative expenses		(224,315)	(158,897)
Operating loss from continuing operations	3-5	(1,549,080)	(402,943)
Other interest receivable and similar income	6	60,412	39,435
Interest payable and similar charges	7	(34,223)	(99,239)
Loss on ordinary activities before taxation		(1,522,891)	(462,747)
Tax on loss on ordinary activities	8	-	4,487
Retained loss for the financial year		(1,522,891)	(458,260)
Retained loss brought forward		(2,912,411)	(2,454,151)
Retained loss carried forward		(4,435,302)	(2,912,411)

The company has no recognised gains or losses in either the current or preceding year other than those reported above and therefore no separate statement of total recognised gains and losses has been presented.

Balance sheet

at 31 March 2000

	Note	2000 £	£	1999 £	£
Fixed assets					
Tangible assets	9	429,877		2,468,128	
Current assets					
Debtors	10	971,886		839,034	
Special deposits	11	990,373		714,315	
Cash at bank and in hand		689,322		591,763	
		<u>2,651,581</u>		<u>2,145,112</u>	
Creditors: amounts falling due within one year	12	<u>(720,064)</u>		<u>(968,783)</u>	
Net current assets					
Due within one year		1,931,517		1,176,329	
Debtors due after one year	10	25,292		579,027	
Total net current assets		<u>1,956,809</u>		<u>1,755,356</u>	
Total assets less current liabilities		<u>2,386,686</u>		<u>4,223,484</u>	
Creditors: amounts falling due after more than one year	13	-		(300,000)	
Provisions for liabilities and charges	14	(5,701,986)		(5,715,893)	
Net liabilities		<u>(3,315,300)</u>		<u>(1,792,409)</u>	
Equity capital and reserves					
Called up share capital	15	1,120,002		1,120,002	
Profit and loss account		(4,435,302)		(2,912,411)	
Equity shareholders' funds		<u>(3,315,300)</u>		<u>(1,792,409)</u>	

These financial statements were approved by the board of directors on 27 October 2000 and were signed on its behalf by:

N Turner
Director



Cash flow statement

for the year ended 31 March 2000

	Notes	2000 £	1999 £
Net cash inflow from operating activities	16	1,085,081	1,327,760
Returns on investments and servicing of finance	18	(2,244)	(52,537)
Taxation	18	-	(40,141)
Capital expenditure	18	(9,220)	(43,985)
		<u>1,073,617</u>	<u>1,191,097</u>
Management of liquid resources	18	(276,058)	(472,055)
		<u>797,559</u>	<u>719,042</u>
Financing	18	(700,000)	(400,000)
		<u>97,559</u>	<u>319,042</u>
Increase in cash		<u>97,559</u>	<u>319,042</u>

Reconciliation of movements in shareholder's funds

for the year ended 31 March 2000

	2000 £	1999 £
Loss for the financial year	(1,522,891)	(458,260)
Opening shareholder's funds	(1,792,409)	(1,334,149)
Closing shareholder's funds	(3,315,300)	(1,792,409)

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules. The basis of preparation assumes the continued support of Wigan Metropolitan Borough Council, the company's only shareholder and financier.

The nature of the company's operations is such that in the immediate future it will be able to meet its liabilities as they fall due. However, under the Environmental Protection Act it has liabilities extending beyond the closure of its sites and these liabilities require both to be provided in the accounts and ultimately funded as they fall due. The provision of these long term liabilities has resulted in the negative shareholder's funds and in view of the relatively short remaining period of operation of the company's sites, which make it unlikely that sufficient revenue can be generated to build up sufficient funds to cover the long term liabilities, the majority shareholder has formally indicated its support so long as it remains the only shareholder.

Related party transactions

The directors have taken advantage of the exemption in FRS8, paragraph 3(c), and have not disclosed related party transactions with the ultimate holding organisation.

Fixed assets and depreciation

Depreciation is provided by the company to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Premium on leases	-	over life of asset
Plant and machinery	-	15-25% per annum
Fixtures, fittings		
tools and equipment	-	15-25% per annum

Landfill sites are depreciated on an airspace utilisation basis.

In accordance with FRS12, the net book value of landfill sites (which are included within land and buildings) includes the unamortised portion of the total estimated provision for restoration and post closure costs for each site.

Notes *(continued)*

1 **Accounting policies (continued)**

Leases

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

Pensions

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

Restoration and after care provision

The company provides for its anticipated share of the full life restorations costs and after care of each landfill site. The cost charged to the profit and loss account each year represents the estimated proportion of the total costs matched to the utilisation of the site.

Taxation

The charge for taxation is based on the profit or loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

2 **Analysis of turnover and profit on ordinary activities before taxation**

Turnover and the profit on ordinary activities before taxation are wholly attributable to the company's principal activity and arose entirely within the United Kingdom.

In both the current and preceding periods the company made no material acquisitions and had no discontinued activities.

Notes (continued)

3 Profit on ordinary activities before taxation

	2000	1999
	£	£
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Auditors' remuneration:		
Audit	6,250	5,950
Other services	8,750	8,050
Depreciation and other amounts written off tangible fixed assets:		
Normal	1,100,177	1,207,120
Exceptional	947,294	-
Hire of plant and machinery - rentals payable under operating leases	49,040	49,040

The exceptional charge relates to recognition of the impairment loss arising on the carrying value of the active landfill site and associated plant and equipment following a review performed in accordance with FRS11: Impairment of Fixed Assets and Goodwill. Of this charge £941,625 is included within cost of sales and £5,669 is included within administrative expenses. The impairment loss is measured by reference to the value in use of the site and associated plant and equipment for which an annual discount rate of 7.9% was applied.

4 Remuneration of directors

	2000	1999
	£	£
Directors' emoluments:		
As directors	16,156	16,158

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2000	1999
Administration	11	10
Waste disposal sites	8	7
Civic amenity sites	13	12
	32	29

The aggregate payroll costs of these persons were as follows:

	2000	1999
	£	£
Wages and salaries	482,833	476,655
Social security costs	34,249	34,883
Other pension costs (see note 21)	22,889	21,196
	539,971	532,734

Notes *(continued)*

6 Other interest receivable and similar income

	2000 £	1999 £
Bank interest	60,412	39,435

7 Interest payable and similar charges

	2000 £	1999 £
Other loans wholly repayable within five years	34,223	80,259
Interest on overdue corporation tax	-	18,980
	<u>34,223</u>	<u>99,239</u>

8 Taxation

	2000 £	1999 £
UK Corporation tax at 20% (1999:21%) on the loss for the year on ordinary activities	-	-
Adjustment relating to earlier years	-	(4,487)
	<u>-</u>	<u>(4,487)</u>

Notes (continued)

9 Tangible fixed assets

	Land and buildings	Plant and machinery	Fixtures fittings, tools and equipment	Total
	£	£	£	£
Cost				
At beginning of year	8,705,372	183,469	57,296	8,946,137
Additions	-	-	9,220	9,220
Adjustments	(13,907)	-	-	(13,907)
At end of year	8,691,465	183,469	66,516	8,941,450
Depreciation				
At beginning of year	6,276,293	153,717	47,999	6,478,009
Charge for year	1,076,600	12,608	10,969	1,100,177
Impairment (see note 3)	929,580	12,045	5,669	947,294
Adjustments	(13,907)	-	-	(13,907)
At end of year	8,268,566	178,370	64,637	8,511,573
Net book value				
At 31 March 2000	422,899	5,099	1,879	429,877
At 31 March 1999	2,429,079	29,752	9,297	2,468,128

The net book value of land and buildings includes:

	2000 £	1999 £
Long leasehold premium	226,380	411,052

10 Debtors

	2000 £	1999 £
Amounts falling due within one year		
Trade debtors	396,299	378,960
Prepayments	575,587	460,074
	971,886	839,034
Amounts falling due after more than one year		
Prepayments	25,292	579,027
	997,178	1,418,061

Notes (continued)

11 Special deposits

	2000 £	1999 £
Special deposits	990,373	714,315

These special deposits represent monies, under agreements with the Wigan Metropolitan Borough Council, placed on special deposit in anticipation of expenditure on restoration and environment impairment on landfill sites. Access to these funds is by authorised signature of both the company and Wigan Metropolitan Borough Council.

During 1996 it was agreed with Wigan Metropolitan Borough Council that the proportion of special deposits relating to the restoration fund were released to the company without restriction on their use. It was also agreed that no further sums would be required to be paid into that account up to the period ended 31 March 1999. This consent was granted on the condition that on 31 March 1999, or as quickly as cash flow will allow, cash is placed into the restoration fund equal to the sums that would have been accumulated in that account had these relaxations not been granted, with account being taken of sums expended by the company which would otherwise have been drawn from that account. The additional cash due to be set aside in a special deposit account in respect of the restoration fund at 31 March 2000 was £1,758,107 (1999: £1,531,887), and the additional cash due to be set aside in respect of the post closure fund was £2,422,737 (1999: £2,202,061).

Under Financial Reporting Standard 12, the company is no longer able to make a provision to cover the cost of gradually emerging environmental impairment, however, it continues to place amounts on special deposit to match the provision which would have been otherwise made.

12 Creditors: amounts falling due within one year

	2000 £	£	1999 £	£
Debenture loan		-		400,000
Trade creditors		67,922		65,554
Other creditors including taxation and social security:				
Taxation and social security	517,695		378,526	
Other creditors	122,527		90,308	
		640,222		468,834
Accruals and deferred income		11,920		34,395
		720,064		968,783

The debenture is secured by a fixed and floating charge over all present and future assets of the company.

Notes (continued)

13 Creditors: amounts falling due after more than one year

	2000 £	1999 £
Debenture loan	-	300,000

The debenture is secured by a fixed and floating charge over all present and future assets of the company. Interest was charged at 7.9% in the year.

The debenture loan was fully repaid in the year.

	2000 £	1999 £
One year	-	400,000
Two to Five years	-	300,000
	<u>-</u>	<u>700,000</u>

14 Provisions for liabilities and charges

	Restoration costs £	Post closure costs £	Total provisions £
At beginning of year	2,548,041	3,167,852	5,715,893
Utilised during year	-	(13,907)	(13,907)
At end of year	<u>2,548,041</u>	<u>3,153,945</u>	<u>5,701,986</u>

The provisions include the company's share of the forecast costs of restoration and aftercare of landfill sites. These costs are shared with Wigan Metropolitan Borough Council who previously operated some of the sites in question. These provisions are based on management's best estimates and are reviewed triennially or as changes to environmental legislation requires. The next review is due 31 March 2001.

15 Called up share capital

	2000 £	1999 £
<i>Authorised</i>		
Ordinary shares of £1 each	2,000,000	2,000,000
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	<u>1,120,002</u>	<u>1,120,002</u>

Notes *(continued)*

16 Reconciliation of operating loss to operating cashflows

	2000	1999
	£	£
Operating loss	(1,549,080)	(402,943)
Depreciation and other exceptional amounts written off fixed assets	2,047,471	1,207,120
Decrease in debtors	437,243	692,786
Increase/(decrease) in creditors	163,354	(162,674)
Decrease in provisions	(13,907)	(6,529)
Net cash inflow from operating activities	<u>1,085,081</u>	<u>1,327,760</u>

17 Reconciliation of net cash flows to movement in net equity/debt

	2000	1999
	£	£
Increase in cash in the year	97,559	319,042
Cash outflow from decrease in debt and lease financing	700,000	400,000
Cash used to increase liquid resources	276,058	472,055
Change in net debt resulting from cash flows	<u>1,073,617</u>	<u>1,191,097</u>
Movement in net debt in the year	1,073,617	1,191,097
Net equity/(debt) at 1 April 1999	606,078	(585,019)
Net equity at 31 March 2000	<u>1,679,695</u>	<u>606,078</u>

Notes (continued)

18 Gross cash flows

	2000 £	1999 £
Returns on investment and servicing of finance		
Bank interest received	44,052	39,435
Debenture interest paid	(46,296)	(91,972)
	<u>(2,244)</u>	<u>(52,537)</u>
Taxation		
Corporation tax interest	-	(40,141)
Capital expenditure		
Payments to acquire tangible fixed assets	(9,220)	(43,985)
Management of liquid resources		
Payments to 90 day deposits	(276,058)	(472,055)
Financing		
Debenture repayments	(700,000)	(400,000)

19 Analysis of changes in net debt

	At 1 April 1999 £	Cash flows £	At 31 March 2000 £
Cash in hand, at bank	591,763	97,559	689,322
Special deposits	714,315	276,058	990,373
Debt due within 1 year	(400,000)	400,000	-
Debt due after 1 year	(300,000)	300,000	-
Total	<u>606,078</u>	<u>1,073,617</u>	<u>1,679,695</u>

Debt comprises debenture loans.

20 Commitments

Annual commitments under non-cancellable operating leases in relation to plant and machinery are as follows:

	2000 £	1999 £
Operating leases which expire:		
Within the next year	16,348	-
In the second to fifth years inclusive	-	49,040

Notes *(continued)*

21 Pension costs

The pension charge for the year represents contributions payable by the company to the independently administered fund which amounted to £22,889 (1999: £21,196). There were no outstanding or prepaid contributions at either the beginning or end of the year.

22 Ultimate holding organisation

Wigan Metropolitan Borough Council owns 100% of the share capital.