

Thames Waste Management Limited**Annual report
for the year ended 31 March 1995**

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Directors' report for the year ended 31 March 1995

The directors present their report and the audited financial statements for the year ended 31 March 1995.

Principal activities

The profit and loss account for the year is set out on page 5.

The principal activity of the company is the provision of waste management services.

Review of business and future developments

The company operates a landfill site near Chertsey, two transport operations, two liquid disposal facilities and a materials handling and digester cleaning operation.

In May 1995, following a Planning Inquiry, the company obtained planning permission for a further landfill site in Beddington, Surrey.

Both the level of business and the year end financial position were satisfactory, and the directors expect the present level of activity will be sustained for the foreseeable future.

Changes in presentation of the financial statements

Following the introduction of Financial Reporting Standard No 4 'Capital Instruments' the presentation of the financial statements has been amended to conform with the new requirements. Shareholders' funds has been analysed between equity and non-equity interests.

Dividends and transfers to reserves

The directors do not recommend the payment of a dividend. The profit for the year of £88,690 (1994 loss £54,073) has been transferred to reserves.

Changes in fixed assets

The movements in tangible fixed assets during the year are set out in note 10 to the financial statements.

Directors

The directors of the company at 31 March 1995, both of whom have been directors for the whole of the year ended on that date, are as follows:

B H A Howard
A C W Robertson

Directors' interests in shares of the company

No director held any interest in the shares of the company during the year.

A C W Robertson is a director of Thames Water Environmental Services Limited and his interests in the group are disclosed in the directors' report of that company.

B H A Howard has interests in the shares of the ultimate parent company, Thames Water Plc, as follows:

	Shares		Options	
	31 March 1995 Number	31 March 1994 Number	31 March 1995 Number	31 March 1994 Number
Ordinary shares of £1 each	8,485	8,485	18,190	1,900
				16,290

Taxation status

The company was not a close company at 31 March 1995 within the provisions of the Income and Corporation Taxes Act 1988 and this position has not changed since the end of the financial year.

Directors' responsibilities

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

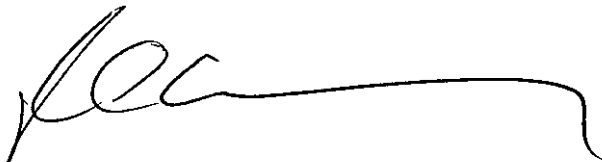
The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 March 1995. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

A resolution to reappoint the auditors, Coopers & Lybrand, will be proposed at the annual general meeting.

By order of the board

A handwritten signature in black ink, appearing to be 'R C Carsley', with a long horizontal flourish extending to the right.

R C Carsley
Secretary

14.6.95

Report of the auditors to the members of Thames Waste Management Limited

We have audited the financial statements on pages 5 to 18.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

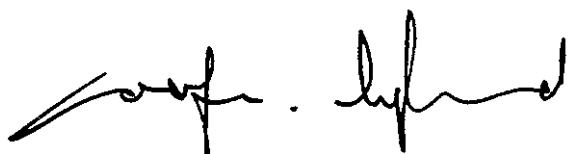
Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 March 1995 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Coopers & Lybrand
Chartered Accountants and Registered Auditors
Reading

15 June 1995

**Profit and loss account
for the year ended 31 March 1995**

	Notes	1995 £	1994 £
Turnover			
Continuing operations		6,060,791	5,127,158
Discontinued operations		-	117,671
Total turnover	2	6,060,791	5,244,829
Cost of sales	3	3,648,229	3,566,208
Gross profit		2,412,562	1,678,621
Other operating expenses	3	1,344,745	1,245,562
Operating profit			
Continuing operations		1,067,817	485,862
Discontinued operations		-	(52,803)
Total operating profit		1,067,817	433,059
Interest payable and similar charges	6	322,127	420,132
Profit on ordinary activities before taxation	7	745,690	12,927
Consideration payable in respect of group relief claimed	9	657,000	67,000
Retained profit/(loss) for the financial year	20	88,690	(54,073)

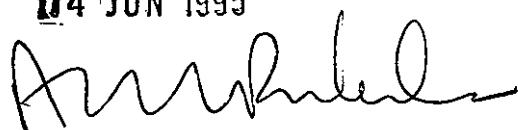
The company has no recognised gains and losses other than the profit/(losses) above, and therefore no separate statement of total recognised gains and losses has been presented.

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

Balance sheet at 31 March 1995

	Notes	1995 £	1994 £
Fixed assets			
Tangible assets	10	4,975,547	5,290,927
Investments	11	19,393	19,393
		<u>4,994,940</u>	<u>5,310,320</u>
Current assets			
Stocks	12	7,819	8,461
Debtors	13	1,409,484	1,073,794
Cash at bank and in hand		59,686	7,611
		<u>1,476,989</u>	<u>1,089,866</u>
Creditors: amounts falling due within one year	14	2,528,982	1,725,040
Net current liabilities		<u>(1,051,993)</u>	<u>(635,174)</u>
Total assets less current liabilities		<u>3,942,947</u>	<u>4,675,146</u>
Creditors: amounts falling due after more than one year	15	4,200,002	5,400,002
Provisions for liabilities and charges	16	642,638	263,527
		<u>4,842,640</u>	<u>5,663,529</u>
Net liabilities		<u>(899,693)</u>	<u>(988,383)</u>
Capital and reserves			
Called-up share capital	19	500,000	500,000
Share premium account		1,000,000	1,000,000
Profit and loss account	20	(2,399,693)	(2,488,383)
Equity shareholders' deficit	21	<u>(899,693)</u>	<u>(988,383)</u>

The financial statements on pages 5 to 18 were approved by the board of directors on 14 JUN 1995 and were signed on its behalf by:



A C W Robertson
Director

**Notes to the financial statements
for the year ended 31 March 1995****1 Principal accounting policies**

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

Changes in accounting policies

The new accounting standard FRS 4 requires the adoption of accounting policies which differ from those previously adopted by the company. Accordingly, shareholders' funds is analysed between equity and non-equity interests. The changes have had no effect on comparative figures.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

Development expenditure

Development expenditure relating to specific projects intended for commercial exploitation is carried forward so long as there is reasonable certainty that the project will proceed, and that the income that it will generate will be sufficient to cover the amortisation of such costs. Such expenditure is amortised over the period expected to benefit.

Finance and operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term. Leasing agreements which transfer to the company substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

Tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental expenses of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned, which are principally as follows:

Buildings	- Freehold bungalows	50 years
	- Office	7 years
Plant and equipment		2-5 years
Office equipment		3 years
Vehicles		3 years

Landfill sites

Landfill sites are included at cost less accumulated depreciation. The provision for depreciation is based upon the average cost per cubic metre of void space consumed by the deposit of waste. Provision is made for site restoration where it is anticipated that expenditure will be required at the end of the life of the site.

Goodwill

Goodwill arising on the acquisition of businesses is written off immediately against reserves.

Fixed asset investments

Fixed asset investments are stated at cost less amounts written off to reflect any permanent diminution in value.

Stocks

Stocks are stated at the lower of cost and net realisable value. In general, cost is determined on a first in first out basis. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Turnover

Turnover, which excludes value added tax, represents the invoiced value of services supplied.

Taxation

The charge or credit for taxation is based on the results for the year as adjusted for disallowable and non taxable items.

Consideration receivable or payable in respect of losses surrendered or claimed by way of group relief is dealt with in the profit and loss account.

Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is probable that a liability or asset will crystallise.

Pension costs

The company operates a defined contribution scheme. The assets of the scheme are held separately from those of the company in an independently administered fund.

In addition certain employees belong to pension schemes which are funded by both employer's and employees' contributions and which are of the defined benefits type. The pension costs are assessed in accordance with the advice of independent qualified actuaries. Any difference between the cost charged and the amounts paid is treated as a prepayment or accrual.

Cash flows

The company is a wholly owned subsidiary of Thames Water Plc and the cash flows of the company are included in the consolidated group cash flow statement of Thames Water Plc. Consequently, the company is exempt under the terms of Financial Reporting Standard No. 1 from publishing a cash flow statement.

2 Turnover

Turnover consists entirely of sales made in the United Kingdom.

3 Cost of sales and other operating income and expenses

	1995		1994	
	Continuing	Continuing	Dis-	Total
	£	£	continued	£
			£	
Cost of sales	<u>3,648,229</u>	<u>3,427,834</u>	<u>138,374</u>	<u>3,566,208</u>
Gross profit	2,412,562	1,699,324	(20,703)	1,678,621
Administration expenses	1,369,645	1,236,687	32,100	1,268,787
Less: other operating income	(24,900)	(23,225)	-	(23,225)
Operating profit	<u>1,067,817</u>	<u>485,862</u>	<u>(52,803)</u>	<u>433,059</u>

4 Directors' emoluments

	1995 £	1994 £
Other emoluments (including pension contributions and benefits in kind)	<u>68,766</u>	<u>59,498</u>

Other emoluments (excluding pension contributions) include amounts paid to:

	1995 £	1994 £
The chairman	<u>Nil</u>	<u>Nil</u>
The highest paid director	<u>55,463</u>	<u>47,182</u>

The number of directors (including the chairman and the highest paid director) who received fees and other emoluments (excluding pension contributions) in the following ranges was:

	1995 Number	1994 Number
£0 to £5,000	1	1
£45,001 - £50,000	-	1
£55,001 - £60,000	1	-

5 Employee information

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

	1995 Number	1994 Number
Administration	21	22
Waste management	41	48
	—	—
	62	70
	==	==
	1995 £	1994 £
Staff costs (for the above persons):		
Wages and salaries	1,046,031	1,359,152
Social security costs	98,622	135,049
Other pension costs (see note 18)	47,356	44,299
	1,192,009	1,538,500
	==	==

6 Interest payable and similar charges

	1995 £	1994 £
Interest payable to group undertakings	280,271	366,575
Interest payable on bank overdrafts repayable within five years, not by instalments	41,832	50,712
Interest payable on finance leases	24	2,845
	322,127	420,132
	==	==

7 Profit on ordinary activities before taxation

	1995 £	1994 £
Profit on ordinary activities before taxation is stated after crediting:		
Profit on disposal of fixed assets	16,798	14,855
	==	==
And after charging:		
Depreciation charge for the year:		
Tangible owned fixed assets	1,254,160	763,706
Tangible fixed assets held under finance leases	4,801	29,412
Landfill site restoration	395,210	180,372
Auditors' remuneration:		
for audit	14,500	14,500
for other services	-	500
Hire of land and buildings - operating leases	54,500	71,621
Hire of plant and machinery - operating leases	43,290	35,299
	==	==

8 Profit/(loss) on sale of operations

	1995 £	1994 £
Gain on disposal of Material Handling business	-	28,086
Goodwill written off direct to reserves on acquisition now reinstated	-	(28,086)
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

9 Taxation

	1995 £	1994 £
Consideration payable in respect of losses surrendered by way of group relief	600,000	67,000
Underprovision in respect of prior years group relief payable	57,000	-
	<u>657,000</u>	<u>67,000</u>
	<u>657,000</u>	<u>67,000</u>

The consideration payable in respect of group relief reflects the estimated present value of the losses as agreed with the surrendering companies.

10 Tangible fixed assets

	Freehold land and buildings	Landfill sites	Short leasehold land and buildings	Plant and machinery	Development expenditure	Total
	£	£	£	£	£	£
Cost						
At 1 April 1994	430,486	4,400,719	334,594	1,717,994	654,991	7,538,784
Additions	-	351,770	40,729	372,058	282,461	1,047,018
Disposals	-	-	-	(210,361)	-	(210,361)
At 31 March 1995	430,486	4,752,489	375,323	1,879,691	937,452	8,375,441
Depreciation						
At 1 April 1994	58,347	945,127	37,250	1,207,133	-	2,247,857
Charge for year	22,969	970,058	43,516	222,418	-	1,258,961
Eliminated in respect of disposals	-	-	-	(106,924)	-	(106,924)
At 31 March 1995	81,316	1,915,185	80,766	1,322,627	-	3,399,894
Net book value						
At 31 March 1995	349,170	2,837,304	294,557	557,064	937,452	4,975,547
Net book value						
At 31 March 1994	372,139	3,455,592	297,344	510,861	654,991	5,290,927

The net book value of tangible fixed assets includes an amount of £Nil (1994: £34,807) in respect of assets held under finance leases and hire purchase contracts.

11 Fixed asset investments

				Interests in group undertakings £
Cost and valuation At 1 April 1994 and 31 March 1995				<u>19,393</u>
Name of undertaking	Country of incorporation or registration	Description of shares held	Proportion of nominal value of issued shares held	Proportion held indirectly
Peter Bryant (Cesspits) Limited	England and Wales	Ordinary	100%	-
South Bucks Effluent Company Limited	England and Wales	Ordinary	100%	-
South Bucks Effluent (Plant Services) Limited	England and Wales	Ordinary	-	100%
South Bucks Skips Limited	England and Wales	Ordinary	-	100%

During the year the subsidiaries did not trade.

The financial statements do not consolidate the results of subsidiary companies because the company is part of the Thames Water Plc group, which prepares consolidated financial statements.

In the opinion of the directors, the value of the investments in all subsidiary companies is not less than the amounts included in the balance sheet.

12 Stocks

	1995 £	1994 £
Raw materials and consumables	<u>7,819</u>	<u>8,461</u>

13 Debtors

	1995 £	1994 £
Amounts falling due within one year		
Trade debtors	1,276,817	838,996
Amounts owed by fellow subsidiary undertakings	83,230	193,837
Other debtors	5,971	495
Prepayments and accrued income	43,466	40,466
	<u>1,409,484</u>	<u>1,073,794</u>

14 Creditors: amounts falling due within one year

	1995 £	1994 £
Bank overdraft	751,189	716,957
Obligations under finance leases	-	6,690
Trade creditors	440,076	509,693
Amounts owed to parent and fellow subsidiary undertakings	174,520	35,746
Group relief payable	637,897	104,897
Other taxation and social security payable	15,031	82,501
Other creditors	49,314	44,265
Accruals and deferred income	460,955	224,291
	<u>2,528,982</u>	<u>1,725,040</u>

The bank overdraft is secured by the ultimate parent.

Obligations under finance leases in 1994 were all due within one year.

15 Creditors: amounts falling due after more than one year

	1995 £	1994 £
Amounts owed to parent company	<u>4,200,002</u>	<u>5,400,002</u>

The above amount owed to parent company relates to a loan from Thames Water Environmental Services Limited which has no fixed repayment date, but which will not be repaid within 12 months. The loan bears interest at a rate varying with base rate.

16 Provisions for liabilities and charges

Landfill site restoration and after care:

	£
At 1 April 1994	263,527
Profit and loss account	395,210
Utilised during the year	(16,099)
At 31 March 1995	<u>642,638</u>

17 Deferred taxation

Deferred taxation recognised in the financial statements, and the amount unrecognised of the total potential asset, are as follows:

	Amount recognised		Amount unrecognised	
	1995	1994	1995	1994
	£	£	£	£
Tax effect of timing differences because of:				
Excess of tax allowances over depreciation	-	-	(1,259)	73,211
Other	-	-	(230,238)	(93,972)
	-	-	(231,497)	(20,761)

18 Pension obligations

The company operates a defined contribution scheme for certain of its employees. The pension cost charge represents contributions payable by the company to the fund.

The remainder of the company's employees participate in a defined benefits pension fund, funded through the Thames Water Group pension schemes whose assets are held separately from those of the company in independently administered funds. The pension cost relating to the schemes is assessed in accordance with advice received from Bacon & Woodrow, the consulting actuaries to the schemes.

Full descriptions of the schemes including the levels of funding are set out in the financial statements of the holding company, Thames Water Plc.

The total pension cost for the company was £47,356 (1994: £44,299).

19 Called-up share capital

	1995 £	1994 £
Authorised		
1,000,000 ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>
Allotted, called up and fully paid		
500,000 ordinary shares of £1 each	<u>500,000</u>	<u>500,000</u>

20 Profit and loss account

	£
At 1 April 1994	(2,488,383)
Profit for the year	<u>88,690</u>
At 31 March 1995	<u>(2,399,693)</u>

21 Reconciliation of movement in shareholders' funds

	1995 £	1994 £
Opening shareholders' funds	(988,383)	(962,396)
Profit/(loss) for the financial year	88,690	(54,073)
Goodwill written back in respect of disposal of business	-	28,086
Closing shareholders' funds	<u>(899,693)</u>	<u>(988,383)</u>

22 Capital commitments

	1995 £	1994 £
Capital expenditure that has been contracted for but has not been provided for in the financial statements	<u>70,131</u>	<u>70,000</u>
Capital expenditure that has been authorised by the directors but has not yet been contracted for	<u>108,909</u>	<u>26,000</u>

23 Financial commitments

At 31 March 1995 the company had annual commitments under non-cancellable operating leases as follows:

	1995		1994	
	Land and buildings £	Other £	Land and buildings £	Other £
Expiring within one year	12,000	8,000	-	1,000
Expiring between two and five years inclusive	41,000	28,000	28,000	21,000
Expiring in over five years	20,000	-	-	-
	<u>73,000</u>	<u>36,000</u>	<u>28,000</u>	<u>22,000</u>

24 Immediate and ultimate parent companies

The directors regard Thames Water Environmental Services Limited, a company registered in England and Wales as the immediate parent company and Thames Water Plc, a company registered in England and Wales, as the ultimate parent company. Copies of the ultimate parent's consolidated financial statements may be obtained by writing to: Shareholder Enquiry Unit, Thames Water Plc, Nugent House, Vastern Road, Reading, Berkshire RG1 8DB.