

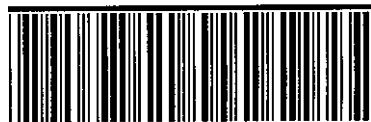
Binn Landfill (Glenfarg) Limited

Annual Report

for the year ended 31 March 1997

Registered number: ^{SC}134337

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BINN LANDFILL (GLENFARG) LIMITED

Annual Report

for the year ended 31 March 1997

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COMPANY REGISTRATION NUMBER: 134337

REGISTERED OFFICE: 15 Atholl Crescent
Edinburgh
EH3 8HA

BINN LANDFILL (GLENFARG) LIMITED

Directors' report for the year ended 31 March 1997

The directors present their report and the audited financial statements for the year ended 31 March 1997.

Principal activity

The principal activity of the company is the provision of waste disposal facilities.

Review of the business and future developments

The company made a profit before tax of £112,025 (1996: £105,934).

The Finance Act 1996 included the primary legislation for a Landfill Tax to be levied on landfill site operators for waste deposited in landfill sites with effect from 1 October 1996. The tax is administered by HM Customs & Excise and is applied at prescribed rates, on a weight basis, to certain categories of waste in accordance with secondary legislation. As a consequence, the amounts disclosed as turnover and cost of sales include the landfill tax which has been recovered from customers and accounted for to HM Customs & Excise.

The profit after taxation for the year to 31 March 1997 was £19,164 (1996: loss £8,714). The directors do not recommend the payment of a dividend and the retained profit for the year to 31 March 1997 will be deducted from the deficit on reserves.

Directors

The directors of the company during the year ended 31 March 1997 were:

I F Goodfellow	(Chairman)
C M Green	
P Taylor	

Directors' interests

No director had an interest in the company's shares either during the year or at 31 March 1997.

As at 31 March 1997, IF Goodfellow held options over 400 ordinary shares of FF60 in the capital of Lyonnaise des Eaux SA, the company's ultimate parent company, which were granted during the financial year.

No other director holds any interest required to be disclosed in accordance with Schedule 7 of the Companies Act 1985.

Employees

The company recognises its responsibilities towards disabled people and to their training, career development and promotion and gives full and fair consideration to applications for employment made by disabled persons where suitable work can be found. Every effort is made to find appropriate alternative jobs for those who become disabled while working for the company.

The Board recognises that it is important to continue to recruit and develop a successful team. This is achieved by promoting opportunities for decentralised decision making, individual accountability, teamwork and successful communication. Continuous development is promoted to enable employees to reach their full potential. It is the Board's aim to develop a company where people are committed to achieving the best for the business and are confident to use their skills and initiative to add maximum value.

BINN LANDFILL (GLENFARG) LIMITED

Directors' report for the year ended 31 March 1997 (continued)

Auditors

The company has appointed Arthur Andersen as its auditors and has, by elective resolution pursuant to section 386 of the Companies Act 1985, dispensed with the obligation to appoint auditors annually.

Statement of directors' responsibilities

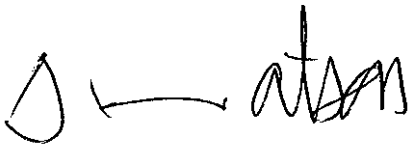
The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that year.

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 1997. 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 taking reasonable steps to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

By order of the Board

D J Watson
Secretary

A handwritten signature in black ink, appearing to read 'D J Watson', with a stylized flourish at the end.

16 June 1997

Report of the auditors to the shareholders of BINN LANDFILL (GLENFARG) LIMITED

We have audited the financial statements on pages 4 to 11 which have been prepared under the historical cost convention and the accounting policies set out on pages 6 and 7.

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 affairs of the company at 31 March 1997 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen

Arthur Andersen
Chartered Accountants and Registered Auditors
Newcastle upon Tyne

16 June 1997

BINN LANDFILL (GLENFARG) LIMITED

Profit and loss account for the year ended 31 March 1997

	Note	1997 £	1996 £
Turnover	2	1,649,484	1,587,373
Cost of sales		<u>(1,339,583)</u>	<u>(1,249,794)</u>
Operating profit		309,901	337,579
Interest payable	7	<u>(197,876)</u>	<u>(231,645)</u>
Profit on ordinary activities before taxation	2&3	112,025	105,934
Tax on profit on ordinary activities	8	<u>(92,861)</u>	<u>(114,648)</u>
Retained profit/(loss) for the financial year	14	<u>19,164</u>	<u>(8,714)</u>

All turnover and operating profits have arisen from the continuing operations of the business. The company has no recognised gains and losses other than those included in the profits / (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 financial year stated above and their historical cost equivalents.

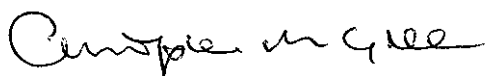
The notes on pages 6 to 11 form part of these financial statements.

BINN LANDFILL (GLENFARG) LIMITED

Balance sheet as at 31 March 1997

	Note	1997 £	1996 £
Fixed assets			
Tangible assets	9	<u>3,747,208</u>	<u>3,902,011</u>
Current assets			
Debtors	10	386,640	331,474
Cash in hand		<u>9</u>	<u>82</u>
		386,649	331,556
Creditors : amounts falling due within one year	11	<u>(3,229,282)</u>	<u>(3,407,836)</u>
Net current liabilities		<u>(2,842,633)</u>	<u>(3,076,280)</u>
Total assets less current liabilities		904,575	825,731
Provisions for liabilities and charges	12	<u>(129,468)</u>	<u>(69,788)</u>
Net assets		<u>775,107</u>	<u>755,943</u>
Capital and reserves			
Called up share capital	13	1,300,000	1,300,000
Profit and loss account	14	<u>(524,893)</u>	<u>(544,057)</u>
Equity shareholders' funds	15	<u>775,107</u>	<u>755,943</u>

The financial statements on pages 4 to 11 were approved by the Board of Directors on 16 June 1997 and were signed on its behalf by:



C M Green
Finance Director

The notes on pages 6 to 11 form part of these financial statements.

BINN LANDFILL (GLENFARG) LIMITED

Notes to the financial statements for the year ended 31 March 1997

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.

(a) Basis of accounting

The financial statements have been prepared under the historical cost convention.

(b) Going concern

The company has net current liabilities at 31 March 1997. The directors have prepared the financial statements on a going concern basis as the company's parent undertaking has confirmed its intention to provide financial support for the foreseeable future.

(c) Cash flow statement

At 31 March 1997 the company was a wholly owned subsidiary undertaking of Northumbrian Environmental Management Limited which is itself a wholly owned subsidiary undertaking of Northumbrian Water Group plc, a company that produces publicly available accounts in which the company is included. Consequently the company is exempt under the terms of Financial Reporting Standard No1 (Revised) 'Cash Flow Statements', from publishing a cash flow statement.

(d) Turnover

Turnover, which excludes value added tax but includes landfill tax, represents the income receivable in the ordinary course of business for the provision of waste disposal facilities. Landfill tax is included at prescribed rates in accordance with the Finance Act 1996 with effect from 1 October 1996.

(e) Tangible fixed assets and depreciation

Tangible fixed assets are included at cost together with any incidental expenses of acquisition less accumulated depreciation.

Landfill sites are depreciated on the basis of airspace used in the period in relation to the total airspace of the site.

Other assets are depreciated on a straight line basis over their useful economic lives to an expected residual value. The number of years over which assets are depreciated are as follows:

	Number of years
Freehold land and buildings	50
Plant and machinery	2 – 10
Fixtures, fittings, tools and equipment	5

(f) Taxation

Corporation tax payable is provided on taxable profits at the current rate. Timing differences arise from the inclusion of items of income and expenditure in tax computations in periods different from those in which they are included in the financial statements. 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 in the foreseeable future. Provision is made at the rate which is expected to apply when the liability or asset crystallises.

BINN LANDFILL (GLENFARG) LIMITED

Notes to the financial statements for the year ended 31 March 1997 (continued)

1 Principal Accounting Policies (continued)

(g) Landfill restoration and aftercare provisions

Provision is made for the expected cost of site restoration and post operational environmental management on the basis of airspace used in the period in relation to the total airspace of the site.

(h) Pension scheme arrangements

The cost of providing pension benefits is charged to the profit and loss account so as to spread the cost over the expected average service lives of employees. Differences between the amounts funded and amounts charged to the profit and loss account are treated as either prepayments or provisions in the balance sheet.

(i) Operating leases

Rental costs arising under operating leases are expensed in the year in which they are incurred.

2 Turnover and profit on ordinary activities before taxation

Turnover and the profit on ordinary activities before taxation are attributable to the company's principal activity, the provision of waste disposal facilities.

Turnover consists entirely of sales made in the United Kingdom.

3 Profit on ordinary activities before taxation

	1997 £	1996 £
Profit on ordinary activities before taxation is stated after charging:		
Depreciation of owned tangible fixed assets	350,160	379,788
Auditors' remuneration – audit	3,000	3,000
Operating leases	<u>266,422</u>	<u>259,867</u>

4 Directors' emoluments

No director received any remuneration for services to the company as a director of the company in the year ended 31 March 1997 (1996: £nil).

5 Transactions with directors and officers

There are no transactions or arrangements which would be disclosable under the provisions of the Companies Act 1985.

BINN LANDFILL (GLENFARG) LIMITED

Notes to the financial statements for the year ended 31 March 1997 (continued)

6 Employee information

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

<i>By activity</i>	1997 Number	1996 Number
Operational	2	2
Administration	4	2
	<u>6</u>	<u>4</u>

Staff costs (for the above persons)

	£	£
Wages and salaries	119,436	77,310
Social security costs	12,312	8,043
Other pension costs	1,369	—
	<u>133,117</u>	<u>85,353</u>

7 Interest payable

	1997 £	1996 £
On group loans	28,352	142,212
On bank loans and overdrafts	169,524	89,433
	<u>197,876</u>	<u>231,645</u>

8 Tax on profit on ordinary activities

	1997 £	1996 £
UK corporation tax at 33% (1996: 33%):		
Current	106,175	130,346
Over provision in respect of prior year (group relief)	(13,314)	(15,698)
	<u>92,861</u>	<u>114,648</u>
Tax charge		

The tax charge for the current year has been reduced by approximately £5,000 (1996: £94,000) by the non-provision of a deferred tax asset and increased by approximately £76,000 (1996: £52,000) arising from the depreciation of freehold landfill sites for which no other relief is available for corporation tax purposes.

BINN LANDFILL (GLENFARG) LIMITED

Notes to the financial statements for the year ended 31 March 1997 (continued)

9 Tangible fixed assets

	Landfill sites £	Plant and machinery £	Freehold land and buildings £	Fixtures, fittings, tools and equipment £	Total £
Cost					
At 1 April 1996	4,016,235	337,062	67,269	5,817	4,426,383
Additions	182,763	11,542	—	2,754	197,059
Disposals	—	(1,702)	—	—	(1,702)
At 31 March 1997	4,198,998	346,902	67,269	8,571	4,621,740
Depreciation					
At 1 April 1996	454,898	61,744	5,941	1,789	524,372
Charge for the year	305,196	42,327	1,344	1,293	350,160
At 31 March 1997	760,094	104,071	7,285	3,082	874,532
Net book value					
At 31 March 1997	3,438,904	242,831	59,984	5,489	3,747,208
At 31 March 1996	3,561,337	275,318	61,328	4,028	3,902,011

10 Debtors

	1997 £	1996 £
Amounts falling due within one year:		
Trade debtors	333,533	239,241
Amounts owed by parent and fellow subsidiary undertakings	—	15,698
Other debtors	23,540	37,220
Prepayments and accrued income	29,567	39,315
	386,640	331,474

Included in amounts owed by parent and subsidiary companies is £nil (1996: £6,916) in respect of tax losses surrendered last year and £nil (1996: £8,782) in respect of tax losses surrendered in prior years for which payment was then postponed.

11 Creditors : amounts falling due within one year

	1997 £	1996 £
Bank loans and overdrafts	2,671,980	883,974
Trade creditors	1,786	143,581
Amounts owed to parent and fellow subsidiary undertakings	44,065	1,914,336
Corporation tax	106,175	130,346
Other taxation and social security payable	123,473	911
Accruals and deferred income	281,803	334,688
	3,229,282	3,407,836

BINN LANDFILL (GLENFARG) LIMITED

Notes to the financial statements for the year ended 31 March 1997 (continued)

12 Provisions for liabilities and charges

(a) Deferred taxation

Deferred taxation provided in the financial statements and the full potential liability / (asset) are as follows:

	Amount provided		Full potential liability / (asset)	
	1997	1996	1997	1996
	£	£	£	£
Timing differences arising from:				
Accelerated capital allowances	—	—	28,777	26,961
Other	—	—	(34,634)	(113,015)
	<u>—</u>	<u>—</u>	<u>(5,857)</u>	<u>(86,054)</u>

There has been no movement on the provision for deferred taxation in the year ended 31 March 1997.

(b) Landfill restoration and aftercare provision

	£
Amount provided at 1 April 1996	69,788
Profit and loss account	69,990
Utilised in year	<u>(10,310)</u>
Amount provided at 31 March 1997	<u>129,468</u>

13 Called up share capital

	1997	1996
	£	£
<i>Authorised, allotted, called up and fully paid:</i>		
1,300,000 ordinary shares of £1 each	<u>1,300,000</u>	<u>1,300,000</u>

14 Reserves

	Profit and loss account £
At 1 April 1996	(544,057)
Retained profit for the financial year	<u>19,164</u>
At 31 March 1997	<u>(524,893)</u>

15 Reconciliation of movements in equity shareholders' funds

	1997	1996
	£	£
Opening equity shareholders' funds	755,943	764,657
Retained profit / (loss) for the financial year	<u>19,164</u>	<u>(8,714)</u>
Closing equity shareholders' funds	<u>775,107</u>	<u>755,943</u>

BINN LANDFILL (GLENFARG) LIMITED

Notes to the financial statements for the year ended 31 March 1997 (continued)

16 Commitments and contingent liabilities

	1997 £	1996 £
(a) Capital expenditure		
Approved by the directors, contracted for but not yet provided	<u>182,700</u>	<u>438,132</u>

(b) Lease commitments

At 31 March 1997 the company had non-cancellable annual commitments under lease rentals for land for 15 years commencing on 1 April 1994 amounting to at least £200,000 (1996: £200,000).

Annual commitments for other non-cancellable operating leases are as follows:

	1997 £	1996 £
Expiring between two and five years inclusive	<u>8,340</u>	<u>—</u>

(c) Contingent liabilities

Binn Landfill (Glenfarg) Limited is party to a cross guarantee arrangement with other group companies in respect of bank overdrafts. The potential liability outstanding at 31 March 1997 was £19.2m (1996: £15.6m).

17 Pensions

The company participates in a defined contribution pension scheme, the Group Personal Pension Plan, operated by Northumbrian Water Group plc, the parent company of the company's holding company. The pension charge for the year ended 31 March 1997 was £1,369 (1996: £1,027).

18 Related party transactions

At 31 March 1997 the company was a wholly owned subsidiary undertaking of Northumbrian Environmental Management Limited which is itself a wholly owned subsidiary undertaking of Northumbrian Water Group plc, a company that produces publicly available accounts in which the company is included. Consequently the company is exempt under the terms of Financial Reporting Standard No8 'Related Party Disclosures' from disclosing related party transactions with other members of the group headed by Northumbrian Water Group plc. There are no other related party transactions.

19 Ultimate parent company

The company's ultimate parent company and controlling party is Lyonnaise des Eaux SA, a company incorporated in France. The largest group which consolidates the results of the company is Lyonnaise des Eaux SA, and copies of the consolidated accounts are available to the public from Lyonnaise des Eaux SA, 72 Avenue de la Liberte, 92753 Nanterre Cedex, Paris, France.

The smallest group which consolidates the results of the company is that of which Northumbrian Water Group plc is the parent. Copies of the consolidated accounts may be obtained from Northumbrian Water Group plc, Northumbria House, Regent Centre, Gosforth, Newcastle upon Tyne, NE3 3PX. Northumbrian Water Group plc is registered in England and Wales.