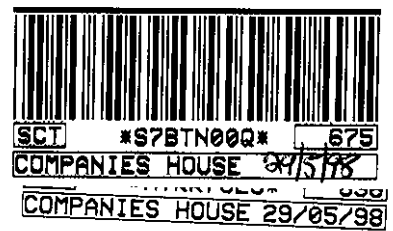


Binn Landfill (Glenfarg) Limited
Annual Report
for the period ended 31 December 1997
Registered number: 134337

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BINN LANDFILL (GLENFARG) LIMITED

Annual Report

for the year ended 31 December 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 period ended 31 December 1997

The directors present their report and the audited financial statements for the nine month period ended 31 December 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 £147,062 (1996/97: £112,025).

During the period the company changed its accounting reference date to 31 December, and so reports results for the nine months from 1 April 1997 to 31 December 1997. This is to bring the company's financial year in line with that of its ultimate parent company, Suez Lyonnaise des Eaux SA.

The profit after taxation for the period ended 31 December 1997 was £44,191 (1996/97: £19,164). The directors do not recommend the payment of a dividend and the retained profit for the period to 31 December 1997 will be deducted from the deficit on reserves.

Charitable donations

Donations made by the company during the period amounted to £100.

Directors

The directors of the company during the period ended 31 December 1997 were:

I F Goodfellow	(Chairman)
C M Green	
P Taylor	

Directors' interests

No director who held office on 31 December 1997 had an interest in the company's shares either during the financial period or at 31 December 1997.

The interests of the directors who held office on 31 December 1997 in the ordinary shares and debentures of the ultimate parent company, Suez Lyonnaise des Eaux SA are reported in the Directors' Report and Accounts of the company's holding company, Northumbrian Environmental Management Limited, for the period ended 31 December 1997.

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.

BINN LANDFILL (GLENFARG) LIMITED

Directors' report for the period ended 31 December 1997 (continued)

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.

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 period that give a true and fair view of the state of affairs of the company as at the end of the financial period 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 period ended 31 December 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

26 March 1998

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

We have audited the financial statements on pages 4 to 12 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 December 1997 and of the profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen
Chartered Accountants and Registered Auditors
Newcastle upon Tyne

26 March 1998

BINN LANDFILL (GLENFARG) LIMITED

Profit and loss account for the period ended 31 December 1997

	Note	9 months to 31 December 1997 <u>£</u>	12 months to 31 March 1997 <u>£</u>
Turnover	2	1,694,308	1,649,484
Cost of sales		<u>(1,394,881)</u>	<u>(1,339,583)</u>
Operating profit		299,427	309,901
Interest payable	7	<u>(152,365)</u>	<u>(197,876)</u>
Profit on ordinary activities before taxation	2&3	147,062	112,025
Tax on profit on ordinary activities	8	<u>(102,871)</u>	<u>(92,861)</u>
Retained profit for the period / year	14	<u>44,191</u>	<u>19,164</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 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 for the financial period / year stated above and their historical cost equivalents.

The notes on pages 6 to 12 form part of these financial statements.

BINN LANDFILL (GLENFARG) LIMITED

Balance sheet as at 31 December 1997

	Note	31 December 1997 £	31 March 1997 £
Fixed assets			
Tangible assets	9	<u>3,469,215</u>	<u>3,747,208</u>
Current assets			
Debtors	10	392,045	386,640
Cash in hand		<u>—</u>	<u>9</u>
		392,045	386,649
Creditors : amounts falling due within one year	11	<u>(2,874,405)</u>	<u>(3,229,282)</u>
Net current liabilities		<u>(2,482,360)</u>	<u>(2,842,633)</u>
Total assets less current liabilities		986,855	904,575
Provisions for liabilities and charges	12	<u>(167,557)</u>	<u>(129,468)</u>
Net assets		<u>819,298</u>	<u>775,107</u>
Capital and reserves			
Called up share capital	13	1,300,000	1,300,000
Profit and loss account	14	<u>(480,702)</u>	<u>(524,893)</u>
Equity shareholders' funds	15	<u>819,298</u>	<u>775,107</u>

The financial statements on pages 4 to 12 were approved by the Board of Directors on 26 March 1998 and were signed on its behalf by:

I F Goodfellow
Chairman



The notes on pages 6 to 12 form part of these financial statements.

BINN LANDFILL (GLENFARG) LIMITED

Notes to the financial statements for the period ended 31 December 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 December 1997. The directors have prepared the financial statements on a going concern basis as the company's immediate parent undertaking has confirmed its intention to provide financial support for the foreseeable future.

(c) Cash flow statement

At 31 December 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 period ended 31 December 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

	9 months to 31 December 1997	12 months to 31 March 1997
	£	£
Profit on ordinary activities before taxation is stated after charging:		
Depreciation of owned tangible fixed assets	287,998	350,160
Auditors' remuneration – audit	3,300	3,000
Operating leases	<u>236,585</u>	<u>266,422</u>

4 Directors' emoluments

No director received any remuneration for services to the company as a director of the company in the period ended 31 December 1997 (1996/97: £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 period ended 31 December 1997 (continued)

6 Employee information

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

<i>By activity</i>	9 months to 31 December 1997 Number	12 months to 31 March 1997 Number
Operational	4	2
Administration	2	4
	<u>6</u>	<u>6</u>

Staff costs (for the above persons)

	£	£
Wages and salaries	95,626	119,436
Social security costs	10,286	12,312
Other pension costs	923	1,369
	<u>106,835</u>	<u>133,117</u>

7 Interest payable

	9 months to 31 December 1997 £	12 months to 31 March 1997 £
On group loans	—	28,352
On bank loans and overdrafts	152,365	169,524
	<u>152,365</u>	<u>197,876</u>

8 Tax on profit on ordinary activities

	9 months to 31 December 1997 £	12 months to 31 March 1997 £
UK corporation tax at 31% (1996/97: 33%):		
Current	102,871	106,175
Over provision in respect of prior year (group relief)	—	(13,314)
Tax charge	<u>102,871</u>	<u>92,861</u>

The tax charge for the current period has been increased by approximately £46,000 (1996/97: reduced by £5,000) by the non-provision of a deferred tax asset and increased by approximately £30,000 (1996/97: £76,000) 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 period ended 31 December 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 1997	4,198,998	346,902	67,269	8,571	4,621,740
Additions	7,919	—	—	2,086	10,005
At 31 December 1997	4,206,917	346,902	67,269	10,657	4,631,745
Depreciation					
At 1 April 1997	760,094	104,071	7,285	3,082	874,532
Charge for the period	252,357	32,375	2,253	1,013	287,998
At 31 December 1997	1,012,451	136,446	9,538	4,095	1,162,530
Net book value					
At 31 December 1997	<u>3,194,466</u>	<u>210,456</u>	<u>57,731</u>	<u>6,562</u>	<u>3,469,215</u>
At 31 March 1997	<u>3,438,904</u>	<u>242,831</u>	<u>59,984</u>	<u>5,489</u>	<u>3,747,208</u>

10 Debtors

	31 December 1997 £	31 March 1997 £
Amounts falling due within one year:		
Trade debtors	324,136	333,533
Corporation tax recoverable	23,540	23,540
Prepayments and accrued income	44,369	29,567
	<u>392,045</u>	<u>386,640</u>

11 Creditors : amounts falling due within one year

	31 December 1997 £	31 March 1997 £
Bank loans and overdrafts	2,155,398	2,671,980
Trade creditors	3,980	1,786
Amounts owed to parent and fellow subsidiary undertakings	53,077	44,065
Corporation tax	209,046	106,175
Other taxation and social security payable	204,239	123,473
Accruals and deferred income	248,665	281,803
	<u>2,874,405</u>	<u>3,229,282</u>

BINN LANDFILL (GLENFARG) LIMITED

Notes to the financial statements for the period ended 31 December 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)	
	31 December 1997	31 March 1997	31 December 1997	31 March 1997
	£	£	£	£
Timing differences arising from:				
Accelerated capital allowances	—	—	26,905	28,777
Other	—	—	(146,038)	(34,634)
	<u>—</u>	<u>—</u>	<u>(119,133)</u>	<u>(5,857)</u>

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

(b) *Landfill restoration and aftercare provision*

	£
Amount provided at 1 April 1997	129,468
Profit and loss account	51,522
Utilised in period	<u>(13,433)</u>
Amount provided at 31 December 1997	<u>167,557</u>

13 Called up share capital

	31 December 1997	31 March 1997
	£	£
<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 1997	(524,893)
Retained profit for the period	<u>44,191</u>
At 31 December 1997	<u>(480,702)</u>

BINN LANDFILL (GLENFARG) LIMITED

Notes to the financial statements for the period ended 31 December 1997 (continued)

15 Reconciliation of movements in equity shareholders' funds

	31 December 1997 £	31 March 1997 £
Opening equity shareholders' funds	775,107	755,943
Retained profit for the financial period / year	44,191	19,164
Closing equity shareholders' funds	819,298	775,107

16 Commitments and contingent liabilities

(a) Capital expenditure

	31 December 1997 £	31 March 1997 £
Approved by the directors, contracted for but not yet provided	816,682	182,700

(b) Lease commitments

At 31 December 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 (31 March 1997: £200,000).

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

	31 December 1997 £	31 March 1997 £
Expiring between two and five years inclusive	8,988	8,340

(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 December 1997 was £23.0m (31 March 1997: £19.2m).

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 period ended 31 December 1997 was £1,116 (1996/97: £1,369).

BINN LANDFILL (GLENFARG) LIMITED

Notes to the financial statements for the period ended 31 December 1997 (continued)

18 Related party transactions

At 31 December 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 Suez Lyonnaise des Eaux SA, a company incorporated in France. The largest group which consolidates the results of the company is Suez Lyonnaise des Eaux SA, and copies of the consolidated accounts are available to the public from Suez 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.