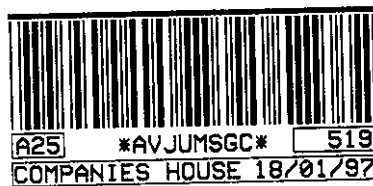


BIFFA WASTE SERVICES LIMITED
ACCOUNTS FOR THE YEAR ENDED 31 MARCH 1996

Company Number : 946107



BIFFA WASTE SERVICES LIMITED

Directors: M J Bettington
D G Bellhouse
D A Brown
R A S Costin
B J Griffiths
P T Jones
C M Malbrain
N H Manning
S J Parrott
C Pearce
R B Tate

Secretary: D G Bellhouse

REPORT OF THE DIRECTORS

The Directors submit their Report and Accounts for the year ended 31 March 1996.

PRINCIPAL ACTIVITY

The Company operates collection, landfill and special waste services in the UK.

BUSINESS REVIEW

The Company has achieved excellent results. Profits before interest were up 58 per cent with turnover up 7 per cent. All three divisions, collection, landfill and special waste, performed well. Volumes in the collection division increased by 7 per cent, due largely to strong growth in the industrial and commercial sectors. The municipal activities showed a year on year improvement and one new municipal contract coming on stream during the year brought good opportunities for geographic expansion. In addition, more effective controls were introduced to fleet management and maintenance activities which helped to increase efficiency and improve margins.

The alliance with SCA Recycling UK Limited is working well. This jointly operated scheme offers customers a national recycling service for paper and card in order to help them reduce the impact of the new landfill tax by diverting these waste streams away from landfill.

Landfill in the UK maintained its consistently strong performance. Unit revenues increased by 22 per cent which more than compensated for the 12 per cent reduction in volumes. Three additional landfill sites will open shortly to replace three which closed during the year. Operating void space remains constant at 36 million cubic metres and a further 16 million cubic metres is either in development or awaiting consents.

The landfill division's Redhill site was the first in the UK to achieve BS7750 accreditation. A further twenty-two locations have BS5750 accreditation.

Biffa's preparations for the introduction of the landfill tax later this year are well advanced. Systems are largely in place and an extensive marketing programme has proved effective in helping customers understand better the implications of the tax for their businesses.

The benefits of restructuring last year helped the special waste division to improve its performance. All areas are now in profit and the targeting of particular waste streams and industry sectors is producing encouraging results.

FINANCIAL RESULTS AND DIVIDEND

	£000
Profit before taxation	13,549
Taxation	(4,115)

Profit after taxation, transferred to reserves	9,434

The Directors do not propose the payment of a dividend.

DIRECTORS

The Directors of the Company at the date of this report are shown above. Mr C Malbrain was appointed on 31 May 1995, Mr R M Bartrop resigned on 26 January 1996 and Mr C Pearce was appointed on 22 March 1996. All other Directors served throughout the year.

DIRECTORS' INTERESTS

The Company has been notified of the following interests in the ordinary shares of Severn Trent Plc.

Shares		31 March 1996	31 March 1995	
B J Griffiths		-	1,188	
R B Tate		3,185	3,185	
Options	1 April 1995	Granted	Exercised	31 March 1996
B J Griffiths	14,132	-	-	14,132
N H Manning	3,200	-	-	3,200
R B Tate	12,740	1,934	-	14,674

Share options were granted and are exercisable in accordance with the Severn Trent Executive Share Option Scheme and the Severn Trent Sharesave Scheme as appropriate. Details of prices and periods within which options are exercisable can be found in the accounts of Severn Trent Plc.

No other Director had any interest at 1 April 1995 or 31 March 1996 which is required to be disclosed in these Accounts.

FIXED ASSETS

Movements on fixed assets are disclosed in Note 7 to the Accounts.

EMPLOYEE INVOLVEMENT

Opportunity is given on a regular basis for managers to be questioned by employees at the Company's operational centres about matters that concern them. Eligible employees may participate in the Sharesave Scheme and the Pension Scheme.

EMPLOYMENT OF DISABLED PERSONS

It is the policy of the Company to give full consideration to suitable applications from disabled persons. Consideration will also be given to employees who become disabled to continue in their employment or to be retrained for other positions in the Company.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Company maintains insurance under section 310 (3) of the Companies Act 1985 for its Directors and Officers against liabilities in relation to the Company.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are required by the Companies Act 1985 to prepare Accounts for each financial year which 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 for the financial year.

The Directors consider that in preparing the Accounts, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates, and that all accounting standards which they consider to be applicable have been followed, subject to any explanations and any material departures disclosed in the notes to the Accounts.

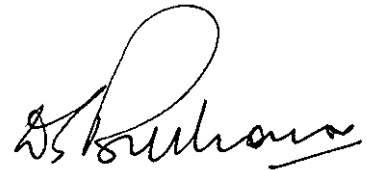
The Directors are required to prepare the Accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the Accounts comply with the Companies Act 1985. The Directors 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.

AUDITORS

A resolution to reappoint Price Waterhouse as the Company's auditors will be proposed at the Annual General Meeting.

By Order of the Board

A handwritten signature in black ink, appearing to read 'D G Bellhouse', with a large loop at the start and a horizontal line at the end.

D G Bellhouse
Secretary

9 July 1996

Price Waterhouse



AUDITORS' REPORT TO THE MEMBERS OF BIFFA WASTE SERVICES LIMITED

We have audited the accounts on pages 6 to 19 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 to 10.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts are free from material mis-statement, 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 31 March 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

**PRICE WATERHOUSE
Chartered Accountants
and Registered Auditors**

9 July 1996

BIFFA WASTE SERVICES LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 1996

	Notes	1996 £000	1995 £000
Turnover	2	127,445	119,140
Cost of sales		(101,486)	(98,707)
Gross profit		25,959	20,433
Distribution costs		(4,430)	(5,105)
Administrative costs		(4,967)	(4,824)
Operating profit before interest and taxation		16,562	10,504
Interest receivable		28	12
Interest payable	3	(3,041)	(2,614)
Profit on ordinary activities before taxation	2,4	13,549	7,902
Taxation on profit on ordinary activities	6	(4,115)	(2,471)
Profit for the financial year	13	9,434	5,431

The profit for the financial year is derived wholly from continuing operations.

The profit for the financial year includes all recognised gains and losses for the year.

There is no material difference between the result as disclosed in the profit and loss account and the result on an unmodified historical cost basis.

BIFFA WASTE SERVICES LIMITED**BALANCE SHEET****AS AT 31 MARCH 1996**

	Notes	1996 £000	1995 £000
FIXED ASSETS			
Tangible assets	7	100,082	91,081
		-----	-----
CURRENT ASSETS			
Stocks of consumables		768	702
Debtors	9	29,035	32,963
Cash at bank and in hand		2,233	2,715
		-----	-----
		32,036	36,380
		-----	-----
CREDITORS: amounts falling due within one year:			
Amounts owed to group undertakings		(24,471)	(28,111)
Other creditors	10	(36,373)	(34,896)
		-----	-----
		(60,844)	(63,007)
		-----	-----
NET CURRENT LIABILITIES		(28,808)	(26,627)
		-----	-----
TOTAL ASSETS LESS CURRENT LIABILITIES		71,274	64,454
		-----	-----
PROVISIONS FOR LIABILITIES AND CHARGES	11	(11,673)	(14,165)
		-----	-----
NET ASSETS		59,601	50,289
		=====	=====
CAPITAL AND RESERVES			
Called up share capital	12	103,660	103,660
Revaluation reserve	13	638	638
Goodwill write-off reserve	13	(33,663)	(35,979)
Profit and loss account	13	(11,034)	(18,030)
		-----	-----
SHAREHOLDERS' FUNDS	14	59,601	50,289
		=====	=====

The Accounts on pages 6 to 19 were approved by the Board of Directors on 9 July 1996 and were signed on its behalf by:



D A Brown
Director

BIFFA WASTE SERVICES LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 1996

1 ACCOUNTING POLICIES

a) Basis of accounting

The Accounts have been prepared under the historical cost convention, as modified by the revaluation of certain land and buildings, and in accordance with applicable Accounting Standards in the United Kingdom.

b) Landfill sites

The cost of landfill sites is capitalised as a tangible fixed asset. Cost includes site development and cell preparation costs.

c) Depreciation of tangible fixed assets

Provision for depreciation of tangible fixed assets, other than freehold land, is made by a charge against income based on the cost of such assets over their expected useful lives using the straight line method at the following rates:-

Motor vehicles	4-8 years
Plant	5-8 years
Fixtures and office equipment	5-10 years
Short leasehold property	Length of lease
Long leasehold property	21-50 years

The cost of landfill sites is amortised over the estimated life of each site on the basis of void usage using the annuity method of depreciation. Cost includes the cost of acquiring and developing each site but does not include interest.

Each landfill site is divided into a number of operational cells. Cell preparation costs are depreciated over the estimated life of the cell on the basis of the usage of the void space within the cell concerned.

d) Stocks

Stocks are stated at the lower of cost and net realisable value.

BIFFA WASTE SERVICES LIMITED

NOTES TO THE ACCOUNTS (Continued)

FOR THE YEAR ENDED 31 MARCH 1996

e) Deferred taxation

Deferred taxation relating to capital allowances and other timing differences is provided for to the extent that it is probable that a liability will crystallise in the foreseeable future.

f) Reinstatement of land and environmental control

Provision for the cost of reinstatement of landfill sites is made over the operational life of each site and charged to the profit and loss account on the basis of volume of void space used.

Environmental control and aftercare costs are incurred over each site's operational life and these may continue for a considerable period thereafter. Provision for the total estimated costs of environmental control and aftercare is made over the operational life of each site and charged to the profit and loss account on the basis of volume of void space used.

g) Leased assets

Where assets are financed by leasing agreements that have rights approximating to ownership ('finance leases'), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor. Depreciation on the relevant assets is charged to the profit and loss account in accordance with note 1 (c) above. Lease payments are treated as consisting of capital and interest elements and the interest is charged to the profit and loss account.

All other leases are accounted for as operating leases, and the annual rentals are charged to the profit and loss account on a straight-line basis over the lease term.

h) Goodwill

Purchased goodwill is written off against the goodwill write-off reserve in the year of acquisition. Annual transfers at the rate of 5% p.a. of the cost are made from this reserve to the profit and loss account to reflect the amortisation of the goodwill.

BIFFA WASTE SERVICES LIMITED

NOTES TO THE ACCOUNTS (Continued)

FOR THE YEAR ENDED 31 MARCH 1996

i) Pension costs

The Company contributes to the Severn Trent Water Pension Scheme and the Biffa Works Pension Scheme. Pension costs are determined actuarially so as to spread the cost of providing pension benefits over the estimated period of employees' pensionable service with the Company.

j) Turnover

Turnover represents amounts invoiced for goods and services provided, excluding VAT.

2 **TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

The Company's turnover and profit on ordinary activities before taxation is derived entirely from the collection, transport and disposal of industrial, commercial and domestic waste, with the majority of this being in the United Kingdom.

3 **INTEREST PAYABLE**

	1996 £000	1995 £000
Interest payable on bank loans, overdrafts and other loans repayable within 5 years:		
External:		
repayable not by instalments	1,611	1,364
repayable by instalments (finance leases and hire purchase)	8	10
Group undertakings:		
repayable not by instalments	1,422	1,240
	-----	-----
	3,041	2,614
	=====	=====

BIFFA WASTE SERVICES LIMITED

NOTES TO THE ACCOUNTS (Continued)

FOR THE YEAR ENDED 31 MARCH 1996

4 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	1996 £000	1995 £000
After charging/(crediting):		
Depreciation of tangible fixed assets		
- landfill	3,806	3,370
- other owned	11,295	10,609
Hire of plant and machinery	3,937	3,913
Other operating lease charges	2,701	1,550
Amounts paid to auditors:		
- As auditors	46	46
- Non audit work	1	1
	=====	=====

5 EMPLOYEES

	1996 £000	1995 £000
Staff costs during the year		
Wages and salaries	33,645	32,631
Social security costs	2,986	2,950
Other pension costs (note 16)	1,399	974
	-----	-----
	38,030	36,555
	=====	=====

The average weekly number of persons employed
by the Company during the year was:

	Number	Number
Full time employees	1,939	1,848
Part time employees	70	66
	-----	-----
	2,009	1,914
	=====	=====

BIFFA WASTE SERVICES LIMITED
NOTES TO THE ACCOUNTS (Continued)
FOR THE YEAR ENDED 31 MARCH 1996

5 EMPLOYEES (Continued)

	1996 £000	1995 £000
Directors' remuneration		
Compensation for loss of office	-	46
Other emoluments	953	918
	-----	-----
	953	964
	=====	=====
 The Directors' remuneration disclosed above (excluding pension contributions) includes:		
The Chairman and Highest Paid Director	135	120
	=====	=====

The number of all Directors whose emoluments (excluding pension contributions) were within the scale set out below was:

	1996 Number	1995 Number
£0 to £ 5,000	2	2
£5,001 to £10,000	1	-
£15,001 to £20,000	-	1
£20,001 to £25,000	-	1
£40,000 to £45,000	-	1
£55,001 to £60,000	1	1
£60,001 to £65,000	1	-
£70,001 to £75,000	-	1
£75,001 to £80,000	4	3
£80,001 to £85,000	1	1
£90,001 to £95,000	1	1
£115,001 to £120,000	-	1
£135,001 to £140,000	1	-

BIFFA WASTE SERVICES LIMITED
NOTES TO THE ACCOUNTS (Continued)
FOR THE YEAR ENDED 31 MARCH 1996

6 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	1996 £000	1995 £000
Corporation tax payable at 33%	(1,422)	-
Group relief payable at 33%	(3,000)	(3,541)
	-----	-----
	(4,422)	(3,541)
Adjustment in respect of previous years		
Corporation tax	-	1,004
Group relief	307	66
	-----	-----
Total charge	(4,115)	(2,471)
	=====	=====

BIFFA WASTE SERVICES LIMITED

NOTES TO THE ACCOUNTS (Continued)

FOR THE YEAR ENDED 31 MARCH 1996

7 TANGIBLE FIXED ASSETS

	Land & buildings £000	Landfill sites £000	Plant, vehicles & equipment £000	Total £000
Cost or valuation				
At 1 April 1995	6,427	59,906	92,144	158,477
Additions	336	11,525	12,572	24,433
Intra-group transfer	-	105	29	134
Disposals	(8)	-	(6,406)	(6,414)
Reallocations	5	-	(5)	-
	-----	-----	-----	-----
At 31 March 1996	6,760	71,536	98,334	176,630
	=====	=====	=====	=====
Depreciation				
At 1 April 1995	877	13,688	52,831	67,396
Charge for the year	279	3,806	11,016	15,101
Intra-group transfer	-	-	49	49
Disposals	(3)	-	(5,995)	(5,998)
Reallocations	8	-	(8)	-
	-----	-----	-----	-----
At 31 March 1996	1,161	17,494	57,893	76,548
	=====	=====	=====	=====
Net book value				
At 31 March 1996	5,599	54,042	40,441	100,082
	=====	=====	=====	=====
At 31 March 1995	5,550	46,218	39,313	91,081
	=====	=====	=====	=====
Cost or valuation at 31 March 1996 is represented by:-				
Cost	4,108	71,536	98,334	173,978
1990 Valuation	2,652	-	-	2,652
	-----	-----	-----	-----
	6,760	71,536	98,334	176,630
	=====	=====	=====	=====

BIFFA WASTE SERVICES LIMITED
NOTES TO THE ACCOUNTS (Continued)
FOR THE YEAR ENDED 31 MARCH 1996

7 TANGIBLE FIXED ASSETS (continued)

Land and buildings and landfill sites at net book value comprise:

	1996		1995	
	Land & buildings £000	Landfill sites £000	Land & buildings £000	Landfill sites £000
Freehold	4,059	47,519	4,012	39,659
Long leasehold	1,149	-	1,083	-
Short leasehold	391	6,523	455	6,559
	-----	-----	-----	-----
	5,599	54,042	5,550	46,218
	=====	=====	=====	=====

8 CAPITAL COMMITMENTS

	1996 £000	1995 £000
Capital expenditure that has been contracted for but has not been provided for in the accounts	1,545	3,629
	=====	=====
Capital expenditure that has been authorised by the Directors but has not yet been contracted for	2,753	2,916
	=====	=====

9 DEBTORS

	1996 £	1995 £
Amounts falling due within one year:		
Trade debtors	19,907	20,812
Amounts owed by group undertakings	4,148	5,064
Other debtors and prepayments	3,876	4,970
	-----	-----
	27,931	30,846
Amounts falling due after more than one year:		
Other debtors and prepayments	1,104	2,117
	-----	-----
	29,035	32,963
	=====	=====

BIFFA WASTE SERVICES LIMITED

NOTES TO THE ACCOUNTS (Continued)

FOR THE YEAR ENDED 31 MARCH 1996

10 CREDITORS

	1996	1995
	£000	£000
Other amounts falling due within one year:		
Bank overdraft - unsecured	17,002	16,773
Trade creditors	6,348	6,088
Corporation tax	1,907	413
Other taxes and social security	2,215	2,446
Other creditors	189	223
Accruals and deferred income	8,712	8,953
	-----	-----
	36,373	34,896
	=====	=====

11 PROVISIONS FOR LIABILITIES AND CHARGES

	Land reinstatement & environmental £'000	Rationalisation integration and other provisions £'000	Total £'000
At 1 April 1995	12,859	1,306	14,165
Expense for the year	(3,422)	(2,642)	(6,064)
Charge to profit and loss account	1,980	1,592	3,572
	-----	-----	-----
At 31 March 1996	11,417	256	11,673
	=====	=====	=====

Deferred taxation provided in the Accounts and the total potential asset/(liability) at 33% are as follows:

	Provision		Potential	
	1996	1995	1996	1995
	£000	£000	£000	£000
Accelerated capital allowances	-	-	(3,159)	(3,380)
Other timing differences	-	-	4,005	5,132
	-----	-----	-----	-----
	-	-	846	1,752
	=====	=====	=====	=====

BIFFA WASTE SERVICES LIMITED

NOTES TO THE ACCOUNTS (Continued)

FOR THE YEAR ENDED 31 MARCH 1996

12 CALLED UP SHARE CAPITAL

	1996	1995
	£000	£000
Authorised, allotted, called up and fully paid: 103,660,000 Ordinary shares of £1 each	103,660	103,660
	=====	=====

13 RESERVES

	Revaluation Reserve	Goodwill write-off Reserve	Profit & Loss Account
	£000	£000	£000
At 1 April 1995	638	(35,979)	(18,030)
Profit for the year	-	-	9,434
Purchased goodwill written off	-	(122)	-
Notional amortisation of goodwill	-	2,438	(2,438)
	-----	-----	-----
At 31 March 1996	638	(33,663)	(11,034)
	=====	=====	=====

Goodwill arose on the acquisition of two small businesses. The impact of these acquisitions on the result for the year is not material.

The cumulative amount of goodwill written off to 31 March 1996 in respect of acquisitions of businesses amounts to £51,576,000 (1995 : £51,454,000).

BIFFA WASTE SERVICES LIMITED

NOTES TO THE ACCOUNTS (Continued)

FOR THE YEAR ENDED 31 MARCH 1996

14 RECONCILIATION OF THE MOVEMENTS IN SHAREHOLDERS' FUNDS

	1996 £000	1995 £000
Share capital issued	-	11,660
Profit for the year	9,434	5,431
Purchased goodwill written off	(122)	(578)
	-----	-----
	9,312	16,513
Opening shareholders' funds	50,289	33,776
	-----	-----
Closing shareholders' funds	59,601	50,289
	=====	=====

15 OPERATING LEASE COMMITMENTS

At 31 March 1996 the Company had annual commitments under non-cancellable operating leases as follows:-

	Land & Buildings £000	Other £000
Expiring within one year	39	353
Expiring between two and five years inclusive	445	892
Expiring in over five years	510	-
	-----	-----
	994	1,245
	=====	=====

16 PENSION ARRANGEMENTS

The Company participates in a number of pension schemes. The principal schemes are the Severn Trent Water Pension Scheme and the Biffa Works Pension Scheme.

- a) The Severn Trent Water Pension Scheme is operated by Severn Trent Plc. The scheme is of the defined benefit type and the assets are held in separate trustee administered funds. The latest actuarial valuation of the scheme was carried out at 31 March 1995. Particulars of this valuation of the scheme are contained in the accounts of Severn Trent Plc.

BIFFA WASTE SERVICES LIMITED
NOTES TO THE ACCOUNTS (Continued)
FOR THE YEAR ENDED 31 MARCH 1996

16 **PENSION ARRANGEMENTS (Continued)**

- b) The Biffa Works Pension Scheme is of the defined contribution type, and the assets are held in separate trustee administered funds.

The total pension cost for the Company was £1,399,000 (1995 : £974,000).

17 **ULTIMATE HOLDING COMPANY**

The Company's ultimate holding company is Severn Trent Plc, a company registered in England and Wales. Severn Trent Plc is the smallest and largest group to consolidate the results of the Company. Copies of the group accounts can be obtained from:

The Company Secretary
Severn Trent Plc
2297 Coventry Road
Birmingham
B26 3PU