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GERRARDS CROSS WASTE DISPOSAL LIMITED

REPORT OF THE DIRECTORS FOR THE PERIOD ENDED 31 DECEMBER 1997

1 The directors present their report and financial statements for the period ended 31 December 1997.

2 On 25 November 1997 the whole of the issued share capital of Leigh Interests plc, the company's immediate parent company, was acquired by Onyx Environmental Group PLC (formerly General Utilities Waste Services PLC). Following the change in ownership, the year end of Leigh Interests plc and its subsidiaries was changed from 31 March to 31 December.

Review of activities

3 The principal activities of the company are environmental services including collection, treatment, recycling and disposal of waste materials.

4 The directors consider that the result for the period, and the period end financial position, were satisfactory.

Future developments

5 The directors expect that the present level of activity will be sustained for the foreseeable future.

Dividends

6 The directors do not recommend the payment of a dividend (year to 31 March 1997: £1,300,000).

Directors

7 The directors who served during the period were as follows :

R Hurley	(resigned 30 December 1997)
S M P Bowden	(resigned 20 November 1997)
E J Dupont-Madinier	(appointed 5 November 1997)
J Kutner	(appointed 5 November 1997)

The directors' beneficial interests in the company's shares are referred to in note 4 to the financial statements.

Pensions

8 The Leigh Pension Scheme provides pensions and life assurance cover for eligible employees electing to join the scheme. Details are given in note 16 to the financial statements.

Income and Corporation Taxes Act 1988

9 In the opinion of the directors the company is not a close company within the provisions of this Act, and there has been no change in this respect since the end of the financial period.

GERRARDS CROSS WASTE DISPOSAL LIMITED**REPORT OF THE DIRECTORS
FOR THE PERIOD ENDED 31 DECEMBER 1997 CONTINUED****Directors' responsibilities**

10 The directors are required by UK company law to prepare financial statements 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 of the company for that period.

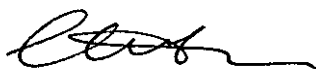
11 The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the period ended 31 December 1997. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

12 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.

Auditors

13 A resolution to reappoint Coopers & Lybrand as the company's auditors will be proposed at the annual general meeting.

BY ORDER OF THE BOARD



C J HORTON
Secretary

3 July 1998

**REPORT OF THE AUDITORS TO THE MEMBERS OF
GERRARDS CROSS WASTE DISPOSAL LIMITED**

We have audited the financial statements on pages 4 to 13.

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 December 1997 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Coopers & Lybrand

Chartered Accountants and Registered Auditors
Birmingham

3 July 1998

GERRARDS CROSS WASTE DISPOSAL LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED 31 DECEMBER 1997**

	Notes	Continuing operations	
		31 December 1997 £	31 March 1997 £
Turnover	2	7,315,681	6,703,236
Cost of sales		(3,937,942)	(3,559,438)
Gross profit		3,377,739	3,143,798
Administration and selling expenses		(530,563)	(749,793)
Profit on ordinary activities before taxation	3	2,847,176	2,394,005
Tax on profit on ordinary activities	6	(1,494,000)	(975,306)
Profit on ordinary activities after taxation		1,353,176	1,418,699
Dividends proposed		-	(1,300,000)
Retained profit for the period		1,353,176	118,699

STATEMENT OF RETAINED PROFITS

Retained profit brought forward	158,130	39,431
Retained profit for the period	1,353,176	118,699
Retained profit at period end	1,511,306	158,130

The reconciliation of movements in shareholders' funds is set out in note 13.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the period stated above, and their historical cost equivalents.

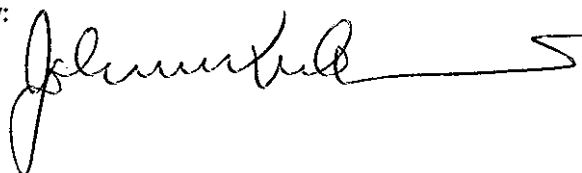
	31 December 1997 £	31 March 1997 £
Profit for the period	1,353,176	1,418,699
Surplus on revaluation	18,392,154	-
Total recognised gains and losses for the period	19,745,330	1,418,699

GERRARDS CROSS WASTE DISPOSAL LIMITED

BALANCE SHEET - 31 DECEMBER 1997

	Notes	31 December 1997 £	31 March 1997 £
FIXED ASSETS			
Tangible assets	7	28,290,400	10,723,742
CURRENT ASSETS			
Debtors	8	6,967,109	2,930,266
CREDITORS: amounts falling due within one year	9	(5,352,948)	(3,403,777)
NET CURRENT ASSETS/(LIABILITIES)		<u>1,614,161</u>	<u>(473,511)</u>
Total assets less current liabilities		29,904,561	10,250,231
Provision for liabilities and charges	10	-	(91,000)
Net assets		<u>29,904,561</u>	<u>10,159,231</u>
CAPITAL AND RESERVES			
Called up share capital	11	10,001,101	10,001,101
Profit and loss account	12	1,511,306	158,130
Revaluation reserve	12	18,392,154	-
Equity shareholders' funds	13	<u>29,904,561</u>	<u>10,159,231</u>

The financial statements on pages 4 to 13 were approved by the board of directors on 3 July 1998 and were signed on its behalf by:



GERRARDS CROSS WASTE DISPOSAL LIMITED**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1997****1 Accounting policies****(a) Basis of accounting**

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom.

(b) Cash flow

The financial statements do not include a cash flow statement because the company, as a wholly owned subsidiary, is exempt from the requirement to prepare such a statement under Financial Reporting Standard No. 1 (Revised), "Cash Flow Statements".

(c) Related party transactions

The company is a wholly owned subsidiary of Compagnie Générale des Eaux S.A. The company is therefore exempt from disclosing transactions with other wholly owned subsidiaries and investors in the group under the terms of financial reporting standard No 8 'Related Party Disclosures'.

(d) Pensions

Contributions are charged against profits so as to spread the cost of pensions over employees working lives (see note 16).

(e) Turnover

This comprises invoice values for sales of goods and services including sales of mineral sites and landfill sites no longer required by the company, including landfill tax but excluding value added tax.

(f) Fixed assets - landfill sites

Freehold and leasehold landfill sites are depreciated in proportion to the capacity used up in each accounting period. Expenditure on creating additional capacity is carried forward to be written off in the period during which the capacity is used up. Full provision is made for site restoration and aftercare where it is anticipated that expenditure will be required at the end of the life of the site.

(g) Fixed assets - other than landfill sites

Freehold land is not depreciated. Freehold buildings are depreciated by equal instalments over 50 years. Leasehold land and buildings are depreciated over the life of the lease.

GERRARDS CROSS WASTE DISPOSAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1997 CONTINUED

(h) Taxation

The charge for taxation is based on the results for the period as adjusted for disallowable items. 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. 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. Provision is made at the rate which is expected to be applied when the liability or asset is expected to crystallise. The amount of unprovided deferred tax is calculated at the current corporation tax rate, and is analysed into its major components.

(i) Hire of plant and equipment

This comprises the cost of hiring for long term use in the business of the company. Short term hire recharged to customers is not included.

(j) Leases and hire purchase

Assets held under finance leases and hire purchase contracts are integrated with owned tangible fixed assets and the obligations relating thereto, excluding finance charges, are included in creditors. Costs in respect of operating leases are charged in arriving at the operating profit.

2 Turnover

The company's turnover has arisen entirely within the United Kingdom.

3 Profit on ordinary activities before taxation

Profit before tax is stated after charging/(crediting):

	31 December 1997	31 March 1997
	£	£
Hire of plant and machinery including operating leases	80,219	94,935
Depreciation of tangible fixed assets	735,411	672,805
Exceptional site restoration costs	395,000	-
	<u> </u>	<u> </u>

Auditors remuneration for the period ended 31 December 1997 was borne by the parent undertaking.

4 Directors' emoluments and interests

- (a) The directors received no emoluments during the period in respect of their services as directors of the company (year to 31 March 1997 : £Nil).

GERRARDS CROSS WASTE DISPOSAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1997 CONTINUED

4 Directors' emoluments and interests (continued)

- (b) The directors had no beneficial interests in the shares of the company as it is a wholly owned subsidiary.

5 Employee information

- (a) The average number of persons employed by the company including executive directors during the period is analysed below:-

	31 December 1997	31 March 1997
	No	No
Environmental Services	15	14

- (b) Employment costs of all employees included above:

	31 December 1997	31 March 1997
	£	£
Wages and salaries	213,313	233,473
Social security costs	19,264	22,993
Pension costs	9,140	8,735
	241,717	265,201

6 Tax on profit on ordinary activities

	31 December 1997	31 March 1997
	£	£
UK corporation tax at 31% (year to 31 March 1997: 33%)	1,585,000	975,135
Over provision in respect of prior years	-	(30,829)
Transfer (from)/to provision for deferred taxation	(91,000)	31,000
	1,494,000	975,306

GERRARDS CROSS WASTE DISPOSAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1997 CONTINUED

7 Tangible fixed assets

	Freehold land and buildings £
Cost or valuation	
At 1 April 1997	13,224,944
Additions	165,184
Transfer to group undertakings	(300,068)
Revaluation	15,200,340
At 31 December 1997	28,290,400
Depreciation:	
At 1 April 1997	2,501,202
Charge for period	735,411
Transfers to group undertakings	(44,799)
Revaluation	(3,191,814)
At 31 December 1997	-
Net book value:	
At 31 December 1997	28,290,400
At 31 March 1997	10,723,742

The company's landfill sites were revalued by the directors at 31 December 1997 resulting in a surplus of £18,392,154 (note 12).

If the freehold land and buildings had not been revalued, they would have been included at the following amounts:

	Land and buildings	
	31 December 1997 £	31 March 1997 £
Cost	13,090,060	13,224,944
Aggregate depreciation based on cost	3,191,814	2,501,202
	9,898,246	10,723,742

GERRARDS CROSS WASTE DISPOSAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1997 CONTINUED

8 Debtors

	31 December 1997	31 March 1997
	£	£
Amounts owed by group undertakings	<u>6,967,109</u>	<u>2,930,266</u>

9 Creditors: amounts falling due within one year

	31 December 1997	31 March 1997
	£	£
Amounts owed to group undertakings	2,281,819	2,312,648
Taxation	2,676,129	1,091,129
Accruals and deferred income	395,000	-
	<u>5,352,948</u>	<u>3,403,777</u>

10 Deferred taxation

Analysis of provision made and full potential liability:-

	31 December 1997		31 March 1997	
	Full Potential Liability £	Amount Provided £	Full Potential Liability £	Amount Provided £
Accelerated capital allowances and other timing differences	<u>nil</u>	<u>nil</u>	<u>112,063</u>	<u>91,000</u>

Movements on the provision for deferred taxation are:

	31 December 1997
	£
At 1 April 1997	91,000
Transfer to profit and loss account	(91,000)
At 31 December 1997	<u>-</u>

GERRARDS CROSS WASTE DISPOSAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1997 CONTINUED

11 Called up share capital

	Authorised, allotted called up and fully paid	
	31 December 1997	31 March 1997
	£	£
10,001,101 ordinary shares of £1 each	<u>10,001,101</u>	<u>10,001,101</u>

12 Reserves

	Revaluation reserve £	Profit and loss account £
At 1 April 1997	-	158,130
Profit for the period	-	1,353,176
Surplus on revaluation of landfill sites	18,392,154	-
At 31 December 1997	<u>18,392,154</u>	<u>1,511,306</u>

13 Reconciliation of movements in shareholders' funds

	31 December 1997 £	31 March 1997 £
Profit for the period	1,353,176	1,418,699
Surplus on revaluation of landfill sites	18,392,154	-
Dividends	-	(1,300,000)
Net addition to shareholders' funds	<u>19,745,330</u>	<u>118,699</u>
Opening shareholders' funds	<u>10,159,231</u>	<u>10,040,532</u>
Closing shareholders' funds	<u>29,904,561</u>	<u>10,159,231</u>

GERRARDS CROSS WASTE DISPOSAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1997 CONTINUED

14 Financial capital commitments

The company has financial commitments in respect of operating leases in the next year as follows:

	Plant and equipment £
On leases where the commitment expires	
- within one year	-
- between two and five years	106,958
- After more than five years	25,188
	<hr/> 132,146 <hr/>

15 Contingent liabilities

The company has guaranteed the bank borrowings of certain fellow group undertakings which, at 31 December 1997 amounted to £26,199,000 (year to 31 March 1997:£23,789,000). It is not expected that any liability will be incurred by the company in respect of these guarantees.

16 Pensions

Leigh Interests plc operates a pension scheme covering the majority of company employees. The charge is included in the employment costs disclosed in these financial statements. The scheme is funded by payments to trustee administered funds. The scheme is administered externally and is of the defined benefit type.

The pension charges in respect of the scheme are calculated by independent qualified actuaries in compliance with the requirements of SSAP 24.

The scheme is valued triennially using the attained age method and kept under review by actuaries in the intervening years. The actuarial valuation at 1 April 1995 confirmed that the scheme was adequately funded to meet its current and anticipated future pension liabilities. The most important actuarial assumptions were:

Assumed long-term rate of:

Investment returns	10.0%
Salary increases	7.5%
Dividend increases	5.0%

At the date of the actuarial valuation referred to above, the market value of the assets of the scheme was £16,087,000 which was sufficient to cover 108% of the actuarial value of liabilities. The next actuarial valuation is due on 1 April 1998.

GERRARDS CROSS WASTE DISPOSAL LIMITED**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1997 CONTINUED****17 Ultimate parent undertaking**

The directors regard Compagnie Générale des Eaux S.A., a company registered in France, as the ultimate parent undertaking and the ultimate controlling party. Copies of the parent's consolidated financial statements may be obtained from The Secretary, 52 Rue d'Anjou, 75384 Paris Cedex 08.