


NORTH LONDON WASTE AUTHORITY

REPORT TITLE	
ANNUAL REPORT OF DIRECTORS OF LONDONWASTE LTD	
REPORT OF	
MANAGING DIRECTOR/DIRECTORS OF LONDONWASTE LIMITED	
FOR SUBMISSION TO	DATE:
THE NORTH LONDON WASTE AUTHORITY	30 JUNE 2010
SUMMARY OF REPORT	
<p>This report is the annual report of the Directors' of LondonWaste Limited and sets out the performance and activities of the Company in the financial year 2009/10.</p> <p>Local Government Act 1972 – Access to Information: No documents required to be listed.</p> <p>Gianni Franchi Committee Services, NLWA Camden Town Hall Judd Street, London WC1H 9JE e-mail: gianni.franchi@camden.gov.uk Tel No: 020 7974 1914</p>	
RECOMMENDATIONS	
<p>Note the report including the resolution of the Directors of LWL to pay an interim dividend to NLWA of £2.5m in June 2010.</p>	
Signed by: Managing Director	
Date: 18/6/10	

1 Introduction

- 1.1 This report is an annual report from the directors of LondonWaste Limited summarising the issues arising from their work on the LondonWaste board over the 2009/10 Authority year.

2 Background to NLWA's interest in LondonWaste Limited

- 2.1 The Environmental Protection Act 1990 required waste disposal authorities to divest themselves of their waste disposal operations and submit their waste disposal needs to competitive tender. In 1992 a tendering process took place leading to the formation of a Local Authority Waste Disposal Company and subsequently a joint venture company in which the NLWA and SITA (UK) Ltd each had a 50% interest was formed (LondonWaste Limited). LondonWaste successfully tendered for the waste disposal contract and in December 1994 a 20 year contract was awarded to LondonWaste.
- 2.2 On 22nd December 2009 NLWA bought the 50% of the share capital which was owned by SITA and LondonWaste Limited is now owned 100% by NLWA. At the same time LondonWaste sold its clinical waste subsidiary Polkacrest Limited to SITA.

3 Directors and Board Meetings

- 3.1 The following non-executive directors, appointed by NLWA, served throughout the Authority year:

Mr John Boast (Chairman)
Mr Chris Elliot
Mr Ray Georgeson

These directors were appointed by NLWA on 24th June, 2009 and will hold office until the AGM of NLWA in June 2011.

- 3.2 Two executive directors responsible for the day-to-day activities of the Company also served throughout the year:

David Sargent (Managing Director)
Matt McGeehan (Finance Director)

- 3.3 The appointment of the Chairman of the Board of LondonWaste is made at the next board meeting following the Company's AGM. When the Company was a joint venture, right of appointment alternated between the A-Directors appointed by the NLWA and the B-Directors appointed by SITA UK Ltd.

In April 2009, it was the turn of the B-Directors to appoint the Chairman and John Boast was re-appointed to the position of Chairman. The date of the Company's AGM is 29 July 2010 and the appointment of the Chairman will be considered at the following board meeting.

- 3.4 Directors attend LWL Board meetings which are usually monthly (although they are more frequent if required). Signed copies of Board minutes are submitted to each meeting of the Authority for information. These appear on the exempt part of the agenda (the part II section) as they contain information relating to the business affairs of LondonWaste. These board minutes are confidential as they may contain information which is commercially sensitive and Members are required to respect this.
- 3.5 The company's Annual General Meeting will be held on 29th July, 2010 and the shareholders will be advised of the Company's progress.

4. Finance and Operations

- 4.1 Although LondonWaste made an operating profit in the year, after taking into account a loss on disposal of the investment in Polkacrest, the statutory accounts will show a loss before taxation. At this point the accounts have not been finalised and signed but they will be available for the shareholder at the AGM.
- 4.2 A dividend of £13,000,000 was declared on 21st December 2009. As part of the transaction noted in 2.2 above, NLWA waived its right to its 50% share of the dividend and the remaining £6,500,000 was paid to SITA as a dividend in cash.
- 4.3 The Company repaid £4,000,000 in loans during the year leaving a balance outstanding of £7,000,000 at 31 December, 2009.
- 4.4 Operations of the Company's Energy Centre were restricted during the year as a result of damage suffered to one of the turbines on 8th November 2008. It underwent repair throughout the year and was returned to service in December 2009. The costs of both the repair and any loss of profits were reimbursed by the Company's insurers.
- 4.5 In addition damage was suffered to a small auxiliary turbine which was being operated to mitigate insured losses and negotiations are continuing with the insurers as to the repair or replacement of this asset.
- 4.6 Electricity prices have been contracted forward to September 2011 at favourable rates and this provides a degree of certainty over continuing revenue.
- 4.7 The Directors have resolved to pay an interim dividend for 2010/11 to NLWA totalling £2,500,000 to be received by the Authority in June 2010.

5. Business Review

- 5.1 The Company has not invested in any new facilities on the EcoPark during the year as the NLWA has commenced its tender for waste services after 2014

and any new developments may depend on the requirements of that tender. The Company remains committed to exploring technologies to improve its waste management infrastructure in a manner consistent with the requirements of the NLWA procurement strategy.

- 5.2 Recycling activity continued to flourish in 2009 and the Company is committed to development of its recycling activities.
- 5.3 The compost produced at our Compost Centre retained its accreditation to the British Standards Institute's Publicly Available Standard No. 100 (PAS100). The majority of the product is used in agriculture but increasing amounts are being returned to North London boroughs and local allotment societies. The Company also partnered the London Borough of Islington in an initiative in which residents visiting the Reuse & Recycling Centre at Hornsey Street were offered a free bag of compost.
- 5.4 Safety and security are key issues for the Company and we continued to update CCTV at the EcoPark.

6. Business Plan

- 6.1 As a consequence of NLWA acquiring full control of LondonWaste, the Company is preparing a new Business Plan which is intended to be submitted to the NLWA for approval in September 2010. The Company's Business Plan is a requirement of the Shareholder Agreement between NLWA and the Company.

7. Personnel Matters

- 7.1 The Company remains committed to the development of its employees and has invested heavily in training and development during the year.

In view of the recession and economic situation at that time, the Company advised employees that there would be a pay freeze as at 1st April 2009. Following extensive negotiations with employee representatives a recommended settlement covering a two year period is being considered for ratification.

- 7.2 The triennial actuarial valuation of the Company's pension scheme as at 1st January 2009 was completed during the year. This showed that the scheme faced a significant funding deficit. The Company agreed a recovery plan with the trustees to address the deficit over the next ten years.

8. Community Awareness

- 8.1 The Company continued its series of eco-competitions in local newspapers in the North London area aimed at raising community awareness of waste management and recycling activities.

- 8.2 The Company held Compost Awareness Week in May 2009 during which local residents were encouraged to visit the EcoPark and learn about our Compost Centre.
- 8.3 We continued to establish links with related bodies in the local community including sponsorship of gardens at Capel Manor College which uses compost from the EcoPark for horticultural purposes.
- 8.4 The company continues its involvement with other local community organisations such as the Resource Forum, the London Community Recycling Network, the Sea Cadets and Street Hawks.

9. Other Matters

- 9.1 The Company makes annual donations to the Mayors' charities of the NLWA boroughs. This initiative now has a successful track record of providing momentum to each Mayor's charitable objectives at the start of the mayoral year.
- 9.2 The EcoPark remains popular with tour parties including visiting foreign delegations, students, residents and representatives of other local authorities. Tours are conducted on a weekly basis.

10. Comments of the Legal Adviser

- 10.1 The Legal Adviser has been consulted in the preparation of this report and has no further comments to make.

11. Comments of the Financial Adviser

- 11.1 The decision by the Board to pay an interim dividend of £2.5m is in line with the Authority's expectations and a further dividend of at least £2.5m is expected to be paid later in the year. The payment will be used by the Authority to help fund the cost of acquiring LondonWaste Ltd.

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