

Laidlaw

ANNUAL REPORT 1999

the road

AHEAD



Who is Laidlaw?



Laidlaw provides essential, specialized transportation services dedicated to "getting people where they need to go" throughout North America.

The company holds the leading private-sector market positions in school, intercity and municipal bus services as well as ambulance transport and hospital emergency department management. In September 1999, the company announced that its ambulance and emergency department management businesses were to be sold and, effective August 31, 1999, they were classified as discontinued operations for financial reporting purposes.

Laidlaw employs more than 71,000 people in its continuing core bus operations.

Business carried out in the United States accounts for nearly 90% of total revenue. Corporate headquarters are in Burlington, Ontario, Canada.

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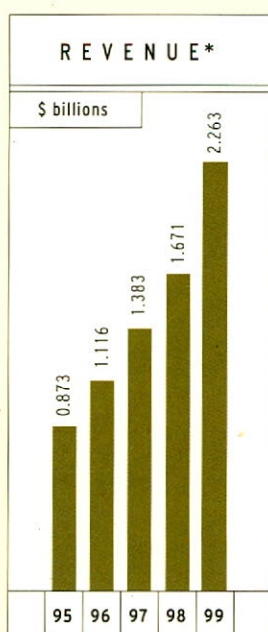
ANNUAL MEETING

The Laidlaw Inc. Annual General Meeting will be held Wednesday, January 12, 2000 at 11:00 a.m. in the John Bassett Theatre, North Building of the Metro Toronto Convention Centre, 255 Front Street West, Toronto, Ontario, Canada.

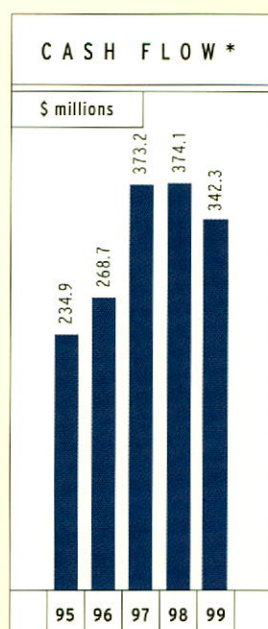
Financial Summary

Years ended August 31	1999	1998	% change
(U.S. \$ millions except per share amounts)			
REVENUE (excluding Safety-Kleen)	\$ 2,262.5	\$ 1,670.9	35
INCOME*	192.7	185.9	4
PER COMMON SHARE			
Income*	0.58	0.56	4
Cash from operations*	1.04	1.13	(8)
Dividends (\$ Cdn.)	0.28	0.26	8
FINANCIAL POSITION			
Long-term debt	3,113.3	2,290.0	36
Shareholders' equity	1,913.1	3,089.9	(38)
Total assets	\$ 5,754.3	\$ 6,002.9	(4)
Long-term debt/equity ratio	1.63:1	0.74:1	N/A
AVERAGE SHARES OUTSTANDING (millions)	330.2	329.8	-

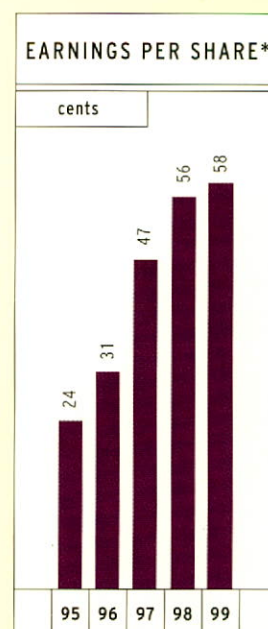
* From continuing operations before unusual income tax charges, restructuring charges and dilution gain.



* Excluding Safety-Kleen.



* From continuing operations before financing working capital, unusual income tax charges, restructuring charges and acquisition accruals.



* From continuing operations before unusual income tax charges, restructuring charges and dilution gain.

To Our Shareholders

2

As a Laidlaw shareholder, like you I look back on fiscal 1999 with some frustration. The year has been operationally extremely challenging and our stock price performance was clearly unrewarding.

However, I want to emphasize that Laidlaw is the largest and best-positioned company in its bus service markets. It is poised for strong, continued growth. Our results from these operations in 1999 were solid, given the influences of increasing labor and fuel costs.

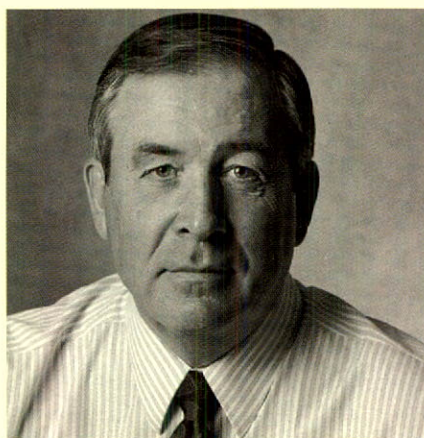
Our ambulance and emergency department management operations, while also leaders in their respective markets, turned in disappointing results and hurt the company's overall performance. Continuing reimbursement and administrative issues within the U.S. healthcare system resulted in investor sentiment turning decidedly negative toward companies operating in that sector.

During the year, Laidlaw's shares traded down to prices which provide no market recognition of the substantial underlying value of our healthcare assets.

Recapturing Shareholder Value

After considering a number of alternatives to stimulate recognition of the value of our healthcare businesses, we made the decision to offer them for sale. The initial proceeds will be used to reduce our debt and subsequently to expand our bus transportation businesses.

On September 13, we announced a plan to recover shareholder value through the sale of American Medical Response, our ambulance service, and EmCare, our emergency department management business. Under these circumstances, accounting practice requires the busi-



JAMES R. BULLOCK

President and Chief Executive Officer

nesses be revalued to reflect expected proceeds from their sale and classified as discontinued operations in the company's financial statements. This revaluation resulted in a \$1.004 billion charge, or \$3.04 per share, against fiscal 1999 earnings.

In addition, we reaffirmed our long-held intention to divest of our interest in Safety-Kleen. The company is the successor to our former environmental services subsidiary, taken public in May 1997. Part of the consideration Laidlaw received in that transaction was a \$350 million 5% convertible debenture. In August 1999, Safety-Kleen purchased this instrument for \$200 million in cash and 11.3 million shares of Safety-Kleen. The cash was used to reduce Laidlaw's debt; the shares increased our ownership to 44% of Safety-Kleen's outstanding shares.

The decision to sell these assets was taken with the objectives of unlocking their value for

Q Why is the bus business attractive?

A Laidlaw has been providing intercity bus service since 1972 and school busing since 1979. For the most part, these businesses are essential services. They are relatively unaffected by economic cycles.

School busing contracts, averaging three years in duration, provide revenue stability. Intercity and municipal revenue is predominantly "pay when boarding". Cash flows from these businesses are, therefore, recurring and relatively predictable.

Laidlaw is the major consolidator in the school bus, intercity and municipal sectors. The company will continue to grow through internally generated expansion and from acquisitions of companies complementary to its market positions.

Laidlaw now holds a clear leadership position in each of its markets. It is, therefore, best positioned to capture the growing demand for bus transport and to add other operators to its broad geographic base.

From an operating perspective in our core bus businesses, 1999 was quite positive and productive, highlighted by the completion of the acquisition of Greyhound Lines, Inc., the major provider of intercity bus service in the United States.

the benefit of Laidlaw's shareholders, strengthening our balance sheet and enhancing growth. Concurrent with our year end, the company announced its intention, through a normal course issuer bid, to purchase up to 5% or 16.5 million of its outstanding shares. The repurchase program is regulated and in effect until mid-October 2000.

Income Tax Issue Resolved

On March 1, 1999 Laidlaw settled its dispute with the U.S. Internal Revenue Service. We maintain the decision, disallowing interest expense on capital used to expand our business in the United States during the late 1980s and early '90s was wrong and that grounds for appeal existed. However, faced with the cost of a lengthy court process, the uncertainty of an appeal and further financial exposure, we concluded that a settlement with an after-tax cost of \$226 million was in the best interest of shareholders. After using tax reserves and providing for changes in deferred tax assets and liabilities, we took a \$21 million or six cents per share unusual charge against earnings in the second quarter of the year.

New Earnings Measures

Under current purchase accounting rules, goodwill, the difference between the cost of an acquired business and the fair value of the net

assets acquired, is amortized and charged against earnings on a straight-line basis over a 40-year period.

Adding back these non-cash amortization charges creates a truer picture of a company's earnings power, sometimes referred to as "cash earnings" or income before interest, taxes and amortization (IBITA).

In the Management Discussion and Analysis section, beginning on page 16 of this report, we present the operating results using IBITA as a measure of our annual year-over-year progress.

Financial Results

As a result of classifying the healthcare businesses as discontinued, the financial results are presented in detail for Laidlaw's continuing bus operations while the net results of healthcare operations are represented as a single line on the income statement as "income (loss) from discontinued operations."

Income from our continuing bus operations, before non-recurring items, increased to \$192.7 million or 58 cents per share from \$185.9 million or 56 cents per share for fiscal 1998.

Consolidated operating margins before amortization expense from our continuing bus operations were 11.9% compared with 13.1% last year. A decline in the Education Services (school bus) margin caused by increased cost of personnel,

Year 2000 preparedness, and fuel was partially offset by stronger margins in Transit & Tour resulting from the inclusion of Greyhound Lines' strongest quarter, the peak summer travel months.

After special income tax charges of \$21.0 million relating to the settlement with the U.S. Internal Revenue Service and the company's \$5.4 million share of a fourth-quarter tax charge taken by Safety-Kleen, in total representing eight cents per share, income from continuing operations

Q How will proceeds from the asset sales be used?

A Proceeds from the sales are expected to exceed \$2 billion. The company's first priority is to reduce debt by approximately \$1 billion, thus bringing the debt/equity ratio to about 1:1.

The balance of the proceeds will be used to enhance shareholder value by reinvesting in our core bus businesses.

The company expects that investors will feel more positively about Laidlaw's shares once these steps are taken.

Depending upon future market conditions and the availability of appropriate acquisition candidates once the sales have been concluded, the company may find the repurchase of its shares to be an attractive use for a portion of the proceeds.

Q When will asset sales be completed?

A The company's goal is to have the sale of the health-care assets completed within the 2000 fiscal year.

Since announcing our intention to divest these businesses, several additional potential buyers have identified themselves to the investment bankers who are assisting the company in the sale process. Offering memoranda, describing the businesses and opportunities in substantial detail, have been prepared and made available to qualified buyers under strict confidentiality agreements.

The company expects that several months will be required to identify purchasers, negotiate terms and close transactions for the healthcare companies. It would, therefore, not be reasonable to expect this process to be completed before early spring.

The sale of the Safety-Kleen holding will be conducted under a process designed by the Safety-Kleen Board of Directors which will ensure that all Safety-Kleen shareholders will be afforded equitable treatment.

was \$166.3 million or 50 cents per share compared with \$268.9 million or 81 cents per share for fiscal 1998. Items relating to Safety-Kleen in 1998 - a dilution gain of \$100.7 million and restructuring charges of \$17.7 million - contributed net 25 cents to per-share earnings.

After allocation of interest and taxes, income from discontinued operations for the 1999 fiscal year, before unusual charges, was \$3.5 million or one cent per share compared with \$77.1 million or 24 cents per share in 1998.

The loss for 1999, after unusual charges and the anticipated loss on sale of the discontinued operations of \$1.29 billion or \$3.89 per share, was \$1.12 billion or \$3.39 per share. Net income, in 1998, including the Safety-Kleen dilution gain and restructuring charges, was \$346.0 million or \$1.05 per share. There was an average of 330.2 million shares outstanding in fiscal 1999 compared with 329.8 million in 1998.

Consolidated revenue from continuing bus operations increased to \$2.26 billion compared with \$1.67 billion. Revenue from the six months during which Safety-Kleen was consolidated in Laidlaw's statements added \$384.8 million for a fiscal 1998 total of \$2.06 billion.

When interpreting these admittedly complex comparisons, I would refer you to the graph on page one illustrating the strong five-year income growth trend from the continuing bus operations. These are historical results from the core businesses, which form the platform for our future expansion.

Capital Spending

Capital spending on normal vehicle and other asset replacements and on additional vehicles to accommodate increases in service for the continuing bus businesses was \$268.7 million compared with \$249.6 million in 1998. We expect capital expenditures for fiscal 2000 to be about \$300 million and that operating cash flows will be adequate to finance them.

Acquisition spending, including assumed debt, the vast majority relating to Greyhound, was \$851.8 million during the year compared with \$117.1 million in 1998.

At fiscal year end, consolidated long-term debt was \$3.1 billion. Shareholders' equity was reduced to \$1.9 billion compared with \$3.1 billion at last year end, a consequence of the health-care-related charges. The debt/equity ratio was 1.63:1 compared with 0.74:1 at August 31, 1998.

Strong Operating Performance

Following its plan to achieve more growth from internal sources - service expansion, bidding successes and conversion of public fleets - Education Services generated 70% of its revenue growth from these sources; the balance came from acquisitions. Given higher driver recruitment and retention costs in the United States, as well as increased fuel and Year 2000 costs, Laidlaw's school bus people delivered solid results.

Laidlaw's mid-March acquisition of Dallas-based Greyhound Lines more than doubled the revenue of our Transit & Tour operations - inter-city, municipal and tour coach transportation. Greyhound, whose business is outlined on pages 10 and 11 of this report, is the platform onto which further growth serving the traveling public will be built. With this acquisition, Laidlaw has achieved unassailable franchises and the largest market positions, by far, in all of its businesses. Financial results for Transit & Tour were boosted by the inclusion of Greyhound's best operating season and tempered by driver recruitment and retention costs.

I am encouraged by these operating performances and by the growth potential provided by our market positions, excellent management teams and enthusiastic employees.

As the healthcare related businesses are sold, Laidlaw will be an organization dedicated solely to serving the traveling public. We will be specialists in providing bus services throughout North America.

Year 2000

Organizations the world over have been working to ensure that their computer systems are able to make the transition from the year 1999 to 2000. Laidlaw has taken a risk management approach to this issue and has been engaged in a three-stage process of identification, assessment and conversion/testing of all its computer and operational equipment in order to ensure interruptions to normal operations will not occur as a result of the calendar year change. Our progress is outlined on page seven.

The Road Ahead

As the healthcare related businesses are sold, Laidlaw will be an organization dedicated solely to providing specialty transportation services. We will be specialists in providing bus services throughout North America. Once the sale of our interest in Safety-Kleen is accomplished, Laidlaw will have completed the last step in the transition from its past - when it was primarily known as a waste management company.

For several years, the company has been steadily growing towards its revenue goal of "\$5 billion by the year 2000". The divestiture of the healthcare operations and the concentration on transportation services mean that new targets are required. We now see Laidlaw, as it is constituted today, producing in the range of \$4 - \$4.5 billion in revenue within the next two to three

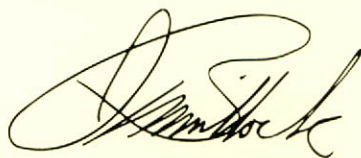
years. Our growth will come from a combination of winning contracts, providing new services and acquisitions.

In Conclusion

1999 has been an extremely difficult year for all concerned, particularly for those of us who are shareholders. In these situations a strong board of directors is of tremendous value. I can assure you that your directors have provided valuable guidance and the full support required to move the organization into its new future. Mr. William A. Sanger, elected to the board in January 1998, resigned during the year. We thank him for his contribution.

The challenges of growing the businesses remain with us. Given the demonstrated abilities of the more than 71,000 Laidlaw employees in our bus operations, these challenges will be met and the opportunities realized.

Most sincerely,



JAMES R. BULLOCK
President and Chief Executive Officer
November 9, 1999

Q What about competition?

A There are thousands of companies providing all types of bus services in North America.

Competition for contracts in school busing and municipal transit comes from some 5,000 small local and larger regional operators.

Intercity and tour competitors are mostly regional. There are estimated to be about 6,000 companies of varying sizes in these markets.

Three British-owned passenger services companies have recently acquired existing competitors operating in each of Laidlaw's market sectors. Management of the companies, with whom Laidlaw has competed for years, remains in place.

We expect the industry will remain highly competitive and that consolidation will continue as participants seek the benefits of economies derived from larger operations.

It's All About Safety

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The past year was a highly productive one in all our bus operations. Gains were made in safety performance, workforce stability and in realizing internal efficiencies.

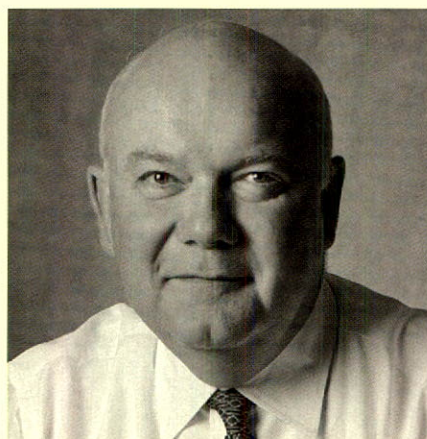
Laidlaw's number one operating priority is the safety of our passengers, patients and employees. How do we protect and improve our enviable record? The process begins with recruitment, continues through hiring, professional training and constant on-the-job programs and reminders.

People

Finding the people who value safety and customer service is the most pressing operating challenge facing Laidlaw. U.S. unemployment rates are the lowest in decades. Competition for people with the attitudes and skills needed in the passenger transportation industry - to drive and service vehicles, manage terminals, respond to tens of millions of customer phone calls and to serve our student, commuter and intercity ridership - has become intense.

Laidlaw's operating management has responded on several fronts. In public transit, a management program - Hands on Initiative for Recruiting Employees (HIRE) - has been developed to share the experience of the best performing managers with their peers. Current employees are rewarded for bringing new employees to the organization, as are driver applicants who already hold a Commercial Driver's License.

Recruitment in school busing has become a year-round activity. Special efforts have been



JOHN R. GRAINGER

**Executive Vice-President
and Chief Operating Officer**

made in Chicago, parts of New England, California and southern Ontario. Traditional recruiting methods - local advertising, flyer campaigns and word-of-mouth communication - are being supplemented by neighborhood door-to-door canvasses, referral programs and, in select markets, radio and television commercials.

Greyhound recruits heavily at the beginning of each year and normally hires some 700 drivers annually. Driver schools are regularly held in the spring to prepare for the tourist high season. Fall sessions were added this year to prepare new drivers for Thanksgiving and Christmas travel. Union agreements running to late 2004 covering U.S. drivers and mechanics were signed during the year.

We expect these very tight people-supply situations to continue for the foreseeable future.

Q What about AMR and EmCare?

A While Laidlaw's healthcare related businesses were classified as discontinued assets held for sale at fiscal year end, operationally they remain very much a part of Laidlaw. Management continues to focus on returning American Medical Response to a healthier financial state. The variety of measures taken since the reorganization was announced in March include streamlining and realigning management responsibilities, ceasing operations in a few markets, the closure of several small operating locations, successful rebidding of long-term contracts and the surrender of contracts which were not remunerative to the level required to provide service demanded.

AMR's management, dispatchers, emergency medical technicians, paramedics, billing and collection staff, 20,000 people in all, continue to struggle within a very difficult industry climate. Their efforts are being rewarded.

At EmCare, our emergency department management organization, the new contract sales pipeline remains full and the company continues to improve its cost base.

Passenger Protection

Driver safety awareness programs have again produced year-over-year reductions in accident frequency.

A warning system designed to remind a driver to check for sleeping children by walking to the back of the bus to disarm a buzzer each time the ignition is turned off, was pilot-tested on Education Services vehicles. By the end of fiscal 2000, the entire fleet will be equipped with this system.

The U.S. cellular phone network has matured sufficiently to provide coverage of virtually all Greyhound routes. A voice communications and global positioning system has been installed on 250 coaches. Designed principally for use in emergency situations when knowledge of a coach's precise location can be critical, the system is also available to communicate traffic conditions and road hazards between drivers and Greyhound's Operations Support Center in Dallas. Plans call for the system to be rolled out during the current year.

Year 2000 Preparedness

All business units in busing and healthcare are Year 2000 compliant for "mission-critical" functions.

Some non-mission-critical systems remain to be remediated before calendar year end. Our overall compliance program is more than 95% complete. In addition, contingency plans have been put into place to cover all high-risk systems, systems not yet in service, as well as potential business impacts resulting from failures at significant suppliers and customers. In fiscal 1999, Laidlaw incurred Year 2000 expenses of \$10.1 million in total for Education Services and Transit & Tour and \$0.9 million in the discontinued healthcare operations. Capital expenditures of \$11.5 million were incurred for bus operations and \$8.8 million in healthcare. Virtually all systems will be converted in advance of the new year.

Greyhound Amalgamation

The integration of the Canadian Greyhound operations with those of Greyhound Lines, Inc. is continuing. Prior to the summer tourism season, staff functions, including marketing, customer service, maintenance, purchasing and information technology were realigned to conform to the U.S. organizational structure. Operational integration - scheduling, routing, frequency of runs and destinations served, continued throughout the autumn. By next summer's tourist season, Greyhound will run continent-wide under a seamless operating system.

Fuel

Laidlaw purchases about 110 million gallons of fuel annually. Overall, fuel costs represent less than 4% of revenue. The cost impact of changing fuel prices is controlled in a number of ways. In addition to negotiating supply pricing for all operations, in some operating contracts cost escalation clauses are in place. As fuel prices rise, the cost of operating the family car increases. As a result, more people are likely to take the bus for intercity travel thereby providing increased revenue, and helping to dampen the effects of our fuel cost increases.

The Road Ahead

Fiscal 2000 will certainly present its challenges but Laidlaw's front-line employees, and all those who support them, have the plans and the dedication to make the year another success.

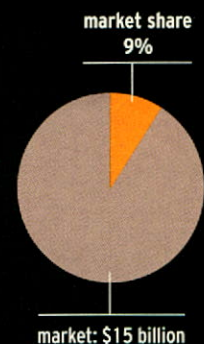
Most sincerely,



JOHN R. GRAINGER
Executive Vice-President and
Chief Operating Officer

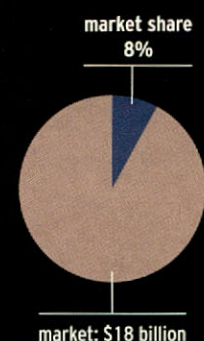
MARKET SHARE

EDUCATION SERVICES



About \$15 billion is spent annually by North American school boards and districts to provide transportation services for students. Of the 450,000 school buses in service, approximately two-thirds are operated by public authorities; the balance, by private-sector companies.

TRANSIT & TOUR SERVICES



Each year intercity travelers and tourists spend more than \$7 billion on highway coach transportation. In addition, municipalities provide some \$11 billion in fixed-route transit and para-transit services annually, about 11% of which is outsourced to private-sector service providers.



What about internal growth?



Laidlaw's school bus operations - Education Services
- achieved record internal growth in fiscal 1999 with

70% of its revenue increase coming from a combination of price increases, new routes and conversions.

Through two decades of consistent, safe performance, Laidlaw has built its fleet to 40,000 buses and its staff complement to 46,500. Its reputation for service to school boards and districts is second-to-none in the industry.

Headquartered in Naperville, west of Chicago, Laidlaw Education Services carries more than 2.3 million students each school day - more than twice the number of passengers carried by all U.S. domestic airlines combined. This commanding leadership position has been built through the acquisition of quality companies, by persuading school districts to outsource their school bus needs and by winning business at the bid table.

Education Services' management of driver and student safety, its self-insurance program, and its buying power for vehicles, parts and fuel are benefits no other operator can bring to a customer.

Competition

The North American school bus fleet is estimated to be 450,000 vehicles; Laidlaw operations account for about 9% of the total. Currently, some two-thirds of these are operated by school



systems in the United States, 20% by school systems in Canada.

Laidlaw is the principal consolidator of this industry. The next largest operator has 10,000 vehicles compared with Laidlaw's 40,000, while the next nine largest operators have a total of about 20,000 buses among them. The balance - 80,000 vehicles - is run by several thousand operators.

Growth

Education Services' revenue grew to \$1.3 billion from \$1.2 billion last year. Income from opera-

tions before amortization expense was relatively flat at \$185 million compared with \$184 million, a consequence of driver retention programs and one-time costs to ensure computer systems were Year 2000 compatible.

Bidding for contracts, making acquisitions and converting school system-run fleets are the principal methods of achieving growth in the business.

During fiscal 1999, Education Services retained 90% of the contracts for which it bid and replaced virtually all lost re-bid business with new contracts. Seven acquisitions were made, most of them in the United States, generating \$12 million in annualized revenue.

Conversions

Education Services has a team of people focused on selling the benefits of private-sector operation to school district administrations. A long-term process, efforts have been increasingly rewarded during the last five years as conversions have brought 2,730 units into Laidlaw fleets.

Seven conversions of regular school bus operations in Texas, Ohio and Florida were made during the year. Special education fleets - dedicated to transporting children with physical and intellectual challenges - were converted in St. Louis, Missouri and the District of Columbia. In total, these conversions added more than 800 vehicles to Laidlaw's fleet, setting a new annual record.

Performance

Despite generally increased competition for drivers and shortages in some locales, Education

Laidlaw transports more
than **2.3 million** students in
40,000 yellow buses every
school day.

Services continued its record of providing high quality service to its customers throughout the year. The fall start-up is the most critical test of recruitment and training program effectiveness. Overall, the 1999 effort was the best in years, carried out with relatively minor local complications.

The Future

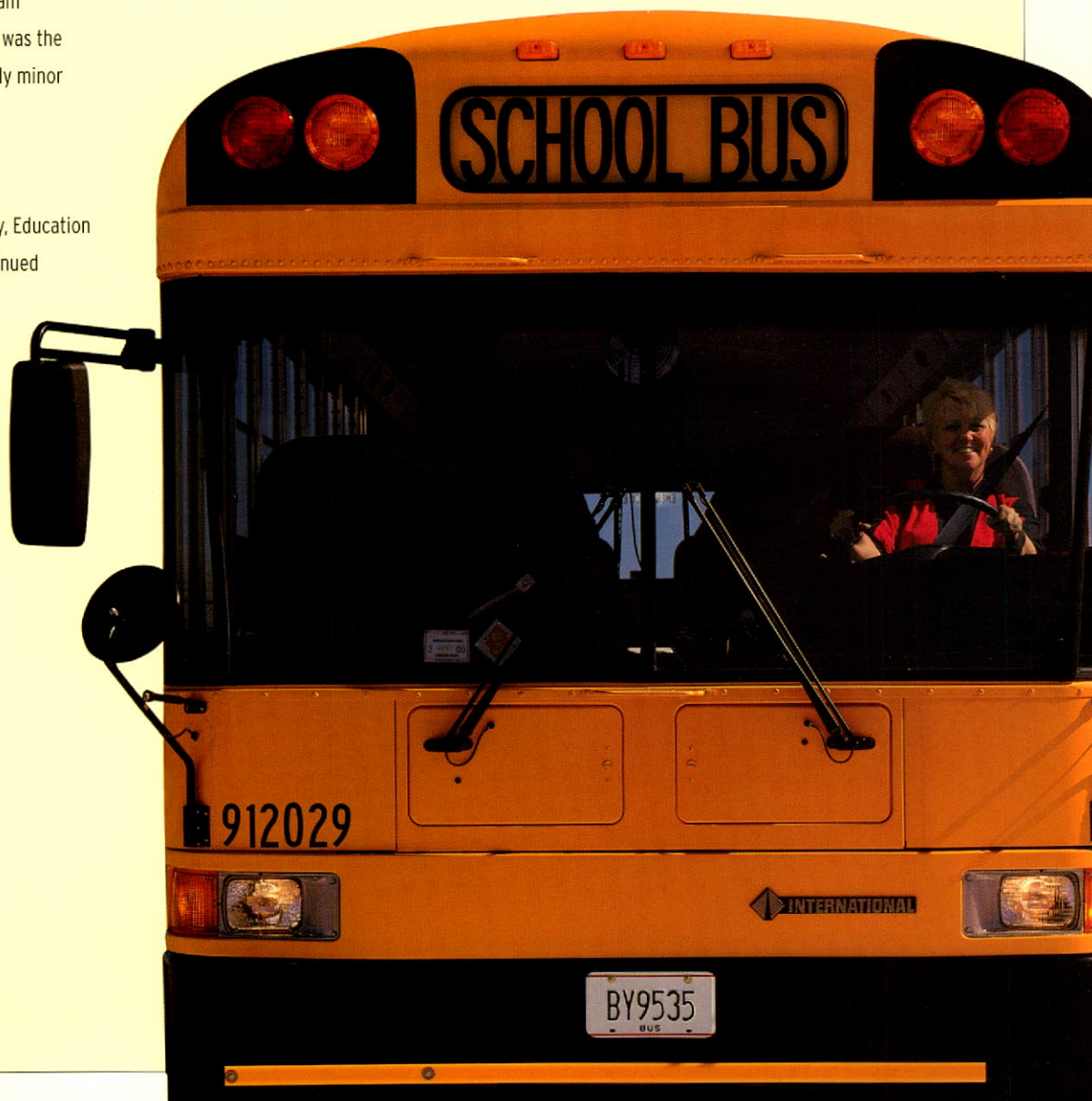
With the market position it holds today, Education Services is the best prepared for continued growth of any school bus service provider in the industry. With its broad geographic presence, it can respond to diverse local needs and take best advantage of local acquisitions. Its low cost base provides flexibility in bidding while its conversion efforts continue to gain momentum.

QUICK FACTS

Laidlaw provides school busing in 35 states and five provinces.

Laidlaw's fleet represents 9% of the overall market and 27% of the services provided by the private sector.

Service is provided from 580 locations.



Q Where will future growth come from?

A Using the power of the Greyhound platform, we will expand tourism and package delivery services by growing them with internal resources and by acquiring complementary companies.

Laidlaw's Transit & Tour operations encompass all scheduled intercity travel, tour and charter services, municipal transit management and package delivery.

Growth

The unit more than doubled its revenue from \$444 million to \$935 million during fiscal 1999 - a result of the acquisition of Dallas-based Greyhound Lines in mid-March. The acquisition brought \$900 million in annualized revenue and resulted in a realignment of operations under existing Greyhound Lines management. Income from operations before amortization expense increased to \$83 million from \$35 million in fiscal 1998.

In the U.S., Greyhound derives about 90% of its revenue from passenger transport, the balance mostly from food service in terminals, bus chartering and package delivery services - using the cargo capacity under the passengers' compartment. Package delivery represents about 4% of revenue in the U.S. compared with 30% of Greyhound's Canadian revenue.

Advantages

Greyhound Lines brings to Laidlaw the only nationwide franchise and the largest market share of scheduled intercity travel in the United States. It



brings a new and growing transborder business with Mexico, the result of joint venture relationships with five major Mexican bus companies, and it brings the ability to gain further efficiencies and market share from combining operations with the Canadian Greyhound organization.

Customers

Greyhound's primary customer base comprises travelers with family incomes of under \$35,000 - about 50% of U.S. households. The service appeals to several demographic groups, each growing at a rate in excess of the population as a whole. A new service called "Access Greyhound" has been designed to make travel in the U.S. easier for passengers with disabilities. With

48 hours notice, Greyhound can provide a wheel chair lift-equipped coach. The program is in place two years in advance of regulatory requirements.

Competition

Greyhound's major competing transportation mode is the family car. Airline discount fare programs can also sporadically affect passenger loads. While other operators of coach and commuter services offer local, destination-specific competitive services, there is no other single operator which can begin to approach the nationwide systems built by Greyhound. Greyhound's cost per seat mile is the lowest available, on any mode, for intercity transportation.

The Future

Several avenues of continuing growth are available to Greyhound. Increasing short-haul frequency and creating faster long-haul schedules will expand the base intercity business. Developing transborder U.S. / Canada travel will provide more destinations for more passengers from each country. A combination of dedicating existing fleet and acquiring regional operators will expand tour and charter operations.

Package delivery services will benefit from acquisitions of or joint ventures with local door-to-door delivery services required to bridge the gap between bus terminals, shippers and receivers.

Public Transit

Laidlaw is the principal supplier of public transit management services to suburban municipalities in the United States. The business consists of the recruitment, training and management of drivers, mechanics and support staff needed to

With the acquisition of Greyhound Lines, Laidlaw's Transit & Tour operations now serve intercity travelers in the U.S., Mexico and Canada.

run mostly publicly owned buses for municipal transit systems. The majority of the business consists of providing municipal para-transit service - door-to-door transportation for the mobility challenged - the balance involves running scheduled, fixed-route, city-bus systems.

Laidlaw Transit operates in 26 states. Its major markets include Los Angeles and Orange County, CA, Minneapolis, MN, and Pittsburgh, PA.

During fiscal 1999, Transit renewed most of its contracts up for bid and added several new contracts in Idaho, Washington, Missouri and California. Expanding its presence in Orange County, Laidlaw Transit is now the county's sole supplier of outsourced transit service.

The Future

Laidlaw Transit has about 25% of the private transit market. There are opportunities for continued growth through acquisition and the awarding of new contracts as metropolitan areas expand and federal funding for public transportation continues to increase.

QUICK FACTS

Greyhound carries more than 26 million passengers annually.

Operates 3,300 highway coaches.

Provides 20,000 daily departures.

Serves 3,700 locations.

Employs 17,500 people.

Public Transit operates 4,550 municipal buses.

Employs 7,300 people.

Has a ridership of 82 million.



Chairman's Report on Corporate Governance

The Toronto Stock Exchange (TSE) guidelines for effective corporate governance address matters such as the composition and independence of corporate boards, the functions to be performed by boards and their committees and the effectiveness and education of board members. Laidlaw's Board of Directors continually reviews the composition of the board and its committees with respect to the discharge of their responsibilities. The board has adopted specific terms of reference to establish the roles and responsibilities of each of its five committees.

Laidlaw established a new Compliance and Ethics Committee in 1998 and broadened the company's long-standing Code of Business Conduct. The committee held four meetings during the year. It exercises its mandate through the Corporate Compliance Department and its counterparts in the operating units. Personnel training related to the Code of Conduct and the first round of compliance issues education was completed during 1999.

The company's objectives are established through the board's review of the budget and strategic plan brought to it by the chief executive officer. The board reviews the company's annual budget and longer-term strategic plans on an annual basis.

The board and the Audit Committee review systems in place to manage the identifiable principal risks to the company as well as the integrity of the internal control and management information systems at all regular

quarterly meetings. In doing so, the Audit Committee meets with managers responsible for a broad range of areas, as well as the company's independent auditors. The committee held five meetings in fiscal 1999.

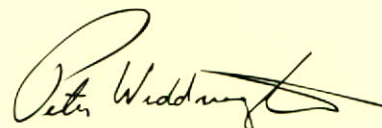
The Nominating and Corporate Governance Committee, members of which are all unrelated to the company met twice this year. It is responsible for proposing all nominees to the board and its committees and for assessing performance of individual directors and the board as a whole. The performance assessment process includes annual meetings between individual directors and myself as chairman of the board. This committee also oversees the orientation of new directors and the continuing education of incumbents, informing them of the nature of the company's business and the issues it faces as well as the obligations of their positions.

Laidlaw's board currently consists of eleven directors. Mr. William Sanger, elected in January of 1998, tendered his resignation in August of this year. We thank him for his contribution to the board's deliberations in general and also for his participation on the Compliance and Ethics Committee. The board considers the current number of directors to be appropriate for the foreseeable future. At present, two directors are executive officers of the company. All other directors are considered to be unrelated as defined in the TSE guidelines. No director has a significant business relationship with the company.

Meeting twice in 1999, the Human Resource and Compensation Committee reviews overall compensation issues for senior management and assesses the performance of the chief executive officer and senior management. The committee monitors succession plans and other broad personnel issues.

The board, as a whole, held twelve meetings in fiscal 1999 and all directors were present for more than 75% of meetings held by the board and the board committees on which they serve.

Most sincerely,



PETER N.T. WIDDRINGTON
Chairman
October 29, 1999

Board of Directors



Peter N.T. Widdrington



CHAIRMAN OF THE BOARD
TALISMAN ENERGY INC.

CALGARY, ALBERTA
(A SENIOR UPSTREAM OIL
AND GAS COMPANY)

Mr. Widdrington has been Chairman of Laidlaw's Board of Directors since August 1990 and a Director since 1986. He has been Chairman of Talisman's board since May 1996 and was President and Chief Executive Officer of Cuddy International Corporation from December 1995 to June 1999. He was formerly Chairman of the Toronto Blue Jays Baseball Club (1991-1995) and from 1973-1989 was President and then Chairman until 1991, of John Labatt Limited, an organization he joined in 1955. Mr. Widdrington is also a Director of 407 ETR International Inc., Brick Brewing Company, Canadian Imperial Bank of Commerce, CEC Resources Ltd., Radiology Corporation of America Inc., and SNC-Lavalin Group Inc.



James R. Bullock



PRESIDENT AND CHIEF EXECUTIVE OFFICER
LAIDLAW INC.

BURLINGTON, ONTARIO

Mr. Bullock has been a Director of Laidlaw since 1991, and was appointed President and Chief Executive Officer in October 1993. Prior to assuming executive responsibilities at Laidlaw, Mr. Bullock had been President and Chief Executive Officer of Cadillac Fairview Corporation since 1987, an organization that he joined in 1977. Mr. Bullock is also a Director of The Conference Board of Canada, Imasco Limited and Chairman of the Board of Directors of Safety-Kleen Corp. He is a member of the Board of Governors of McMaster University and a trustee of the Ontario Jockey Club.



William P. Cooper



PRESIDENT AND CHIEF EXECUTIVE OFFICER
COOPER CONSTRUCTION LIMITED

OAKVILLE, ONTARIO

(CONSTRUCTION AND DEVELOPMENT COMPANY)
Mr. Cooper has been a Director of Laidlaw since 1983. He has been President and Chief Executive Officer of Cooper Construction Limited since 1978. Established in 1905, Cooper Construction Limited is a development, construction and property management firm serving industrial and suburban office markets principally in the province of Ontario. Mr. Cooper is also a Director of CTV Inc., Clarica Life Insurance Company and Stelco Inc.



Jack P. Edwards



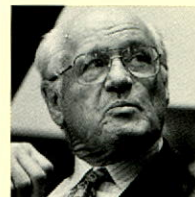
PRESIDENT AND CHIEF EXECUTIVE OFFICER
WORLDPOINT LOGISTICS INC.

BELLEVUE, WASHINGTON

(TRANSPORTATION LOGISTICS COMPANY)

Mr. Edwards has been a Director of Laidlaw since January 1996. On October

1, 1998, he became President and Chief Executive Officer of Worldpoint Logistics Inc. Immediately prior, he had been Chief Executive Officer of Danzas Corporation, a worldwide transportation company, since June 1994, following an 18-month term as Chief Operating Officer of The Harper Group (Circle International).



William A. Farlinger



CHAIRMAN

ONTARIO POWER GENERATION

TORONTO, ONTARIO

(ELECTRICAL UTILITY)

Mr. Farlinger has been a Director of Laidlaw Inc. since 1994. He is Chairman of Ontario Power Generation Inc., one of the successor companies to Ontario Hydro, which Mr. Farlinger had chaired for four years. From 1986 until his retirement in 1994, Mr. Farlinger was Chairman & Chief Executive Officer of Ernst & Young where he had spent his entire business career. He also serves on the boards of Cara Operations, Newcourt Credit Group and Manulife Financial.



John R. Grainger

EXECUTIVE VICE-PRESIDENT AND
CHIEF OPERATING OFFICER
LAIDLAW INC.

BURLINGTON, ONTARIO

Mr. Grainger has been a Director of Laidlaw since August 1997. He became Executive Vice-President and Chief Operating Officer in September of 1997. He joined Laidlaw in February 1990 as Senior Vice-President of Laidlaw Transit. Prior to that, Mr. Grainger had been President of Rentway Canada Ltd. since 1985.



Donald M. Green

PRESIDENT AND CHIEF EXECUTIVE OFFICER
GREENFLEET LTD.

BURLINGTON, ONTARIO

(PRIVATE INVESTMENT COMPANY)

Mr. Green has been a Director of Laidlaw since 1980. Prior to Greenfleet, he was with ACD Tridon Inc. as President and latterly as Chairman for the past 35 years. ACD Tridon Inc. is an international automotive parts manufacturer with plants located throughout the world. Mr. Green is also Deputy Chairman of CGU Insurance Company of Canada, a Director of The National Bank of Canada, Devtek Corporation, Home Ticket

Network and a member of the Board of Governors of McMaster University.



Martha O. Hesse

PRESIDENT

HESSE GAS COMPANY

HOUSTON, TEXAS

(ENERGY INVESTMENT)

Ms. Hesse has been a Director of Laidlaw since January 1996 and President of Hesse Gas since 1990. Hesse Gas markets fossil fuels to utilities and participates in energy investments. From 1986 through to 1989 Ms. Hesse served as the Chairman of the U.S. Federal Energy Regulatory Commission under Presidents Reagan and Bush. She is also a Director of Arizona Public Service, Mutual Trust Life Insurance Company, Pinnacle West Capital Corporation, AquaAlliance Inc. and a member of the Beacon Council and the CIGNA Utilities Advisory Board.



Wilfred G. Lewitt

CHAIRMAN

MDS INC.

ETOBICOKE, ONTARIO

(HEALTH & LIFE SCIENCES COMPANY)

Mr. Lewitt has been a Director of Laidlaw since January 1998. He is Chairman of MDS Inc. of which he was

Chief Executive Officer from 1970 until 1996. He is also a Director of Hemosol, Inc., and The International Group Inc.



Gordon R. Ritchie

CHAIRMAN, PUBLIC AFFAIRS

HILL AND KNOWLTON CANADA

OTTAWA, ONTARIO

(CONSULTING COMPANY)

Mr. Ritchie has been a Director of Laidlaw since January 1994. In July 1999 he was named Chairman, Public Affairs, Hill and Knowlton Canada, following 11 years as Chief Executive of Strategico Inc., a business consulting firm. This followed a 22-year career in the Canadian public service including posts of Deputy Secretary of the Ministry of State for Economic Development, Associate Deputy Minister of the Department of Regional Expansion and, from 1985 to 1988, as Ambassador for Trade Negotiations and Deputy Chief Negotiator of the Canada-USA Free Trade Agreement. Mr. Ritchie is also a Director of Cambior Inc. and Maple Leaf Foods Inc. and serves as Chairman of the Board of the University of Ottawa Heart Institute.



Stella M. Thompson

PRINCIPAL

GOVERNANCE WEST INC.

CALGARY, ALBERTA

(CONSULTING COMPANY)

Mrs. Thompson has been a Director of Laidlaw since July 1994. She has been a Principal of Governance West Inc. since 1996 and President of Stellar Energy since 1991. Immediately prior, Mrs. Thompson had been a Vice-President of Petro-Canada Inc., since 1988. She has been a member of the Prime Minister's National Advisory Board on Science and Technology (1991-1994), the Alberta Research Council (1993-1999) and was a member of the University of Calgary's Executive Committee of the Faculty of Management Advisory Council (1986-1996). She is also a Director of AGRA Inc., Allstate Insurance Company of Canada, the Canada Foundation for Innovation, Deloitte and Touche Advisory Board, Enmax Corporation, Mount Royal College, Perigee Inc. and Talisman Energy Inc.

Committees of the Board

- Audit
- ◆ Compliance and Ethics
- ▲ Executive
- Human Resource and Compensation
- ▼ Nominating and Corporate Governance

Financial Review

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(all dollar amounts are stated in United States dollars)

Discontinued operations

On September 13, 1999, the Company announced that it plans to divest its ambulance services and emergency department ("ED") management services businesses (the "Discontinued Businesses"). Sales of the Discontinued Businesses are expected to take place during fiscal 2000 (see Note 2 of Notes to the Consolidated Financial Statements).

As a result of this plan of disposal, the results of operations for the Discontinued Businesses have been reported as discontinued operations and previously reported financial statements have been restated.

The discussion and analysis that follows is based on giving retro-active effect to the discontinued operations.

Acquisition of Safety-Kleen Corp. by Laidlaw Environmental Services, Inc.

Pursuant to a merger agreement dated March 16, 1998 between the Company's subsidiary Laidlaw Environmental Services, Inc. ("LESI")

and Safety-Kleen Corp. ("Old Safety-Kleen"), LESI acquired the outstanding shares of Old Safety-Kleen for a total consideration of approximately \$2.2 billion, including debt assumed and estimated transaction costs. The consideration was comprised of \$1.5 billion in cash and the issue of 41.6 million common shares of LESI. LESI subsequently changed its name to Safety-Kleen Corp. ("Safety-Kleen").

As a result of this transaction, the Company's ownership of Safety-Kleen was reduced to approximately 35% from the previous level of 67%. The Company ceased to consolidate Safety-Kleen's results and began using the equity method effective March 1, 1998.

In addition, as a result of this transaction, the Company realized a gain on dilution of its ownership in Safety-Kleen of \$100.7 million (\$100.7 million after-tax or \$0.30 per share) during fiscal 1998. The dilution gain resulted from the issue of shares by Safety-Kleen at a price per share in excess of the Company's carrying value per share.

Had the investment in Safety-Kleen been accounted for by using the equity method effective September 1, 1996 and had the non-recurring charges and dilution gain been separately disclosed, the Consolidated Statements of Operations would have been presented as follows: (\$ millions)

	Year Ended August 31			Percentage Increase (Decrease)		
	1999 Actual	1998 Pro Forma	1997 Pro Forma	Year 1999 Over 1998	Year 1998 Over 1997	Year 1997 Over 1996
REVENUE	\$ 2,262.5	\$1,670.9	\$1,383.3	35.4 %	20.8 %	24.0 %
Operating expenses	1,576.7	1,177.3	1,020.0	33.9	15.4	20.4
Selling, general and administrative expenses	243.8	127.3	56.7	91.5	124.5	48.0
Depreciation expense	173.6	146.7	132.3	18.3	10.9	34.3
Income from operations before amortization expense and restructuring charge	268.4	219.6	174.3	22.2	26.0	32.4
Amortization expense	34.8	23.6	22.7	47.5	4.0	44.6
Income from operations before restructuring charge	233.6	196.0	151.6	19.2	29.3	30.8
Interest expense	(91.8)	(63.2)	(48.3)	45.3	30.8	32.7
Interest, dividend and other income	64.7	66.9	62.5	(3.3)	7.0	203.3
Equity in earnings of associated companies*	37.8	23.9	17.0	58.2	40.6	107.3
	244.3	223.6	182.8	9.3	22.3	68.8
Income tax expense	(51.6)	(37.7)	(32.2)	36.9	17.1	81.9
Income from continuing operations before dilution gain, restructuring charges and unusual income tax charges	192.7	185.9	150.6	3.7	23.4	66.2
Dilution gain (net of tax)	-	100.7	-	-	-	-
Restructuring charges (net of tax)	-	(17.7)	(133.0)	-	-	-
Unusual income tax charges	(26.4)	-	-	-	-	-
Income from continuing operations	166.3	268.9	17.6	(38.2)	1,427.9	(80.6)
Income (loss) from discontinued operations	(1,285.0)	77.1	592.9	(1,766.7)	(87.0)	732.7
Net income (loss)	\$(1,118.7)	\$ 346.0	\$ 610.5	(423.3)	(43.3)	277.3

* Before the Company's share of Safety-Kleen's unusual income tax charge in fiscal 1999 and restructuring charges in fiscal 1998.

The discussion and analysis that follows is based on the restated figures presented above.

Items in the Consolidated Statements of Operations for the three years ended August 31, 1999 as a percentage of total revenue and the percentage changes in dollar amounts of the items compared to the previous year are as follows:

	Percentage of Revenue			Percentage Increase		
	Year Ended August 31			Year 1999 Over 1998	Year 1998 Over 1997	Year 1997 Over 1996
	1999	1998	1997			
REVENUE	100.0%	100.0%	100.0%	35.4%	20.8%	24.0%
Operating expenses	69.7	70.5	73.7	33.9	15.4	20.4
Selling, general and administrative expenses	10.8	7.6	4.1	91.5	124.5	48.0
Depreciation expense	7.6	8.8	9.6	18.3	10.9	34.3
INCOME FROM OPERATIONS BEFORE AMORTIZATION						
EXPENSE AND RESTRUCTURING CHARGE	11.9%	13.1%	12.6%	22.2	26.0	32.4

Revenue (as restated excluding Safety-Kleen)

The sources of revenue by business segment are as follows: (\$ millions)

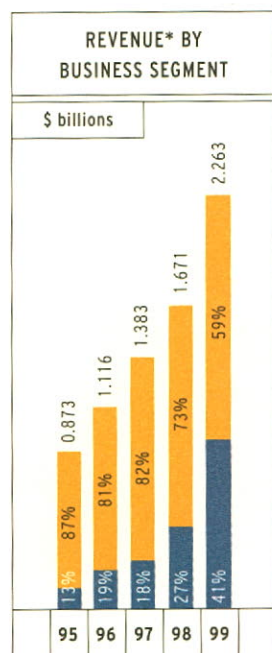
Year Ended August 31	1999		1998		1997	
Education services	\$1,327.3	58.7%	\$1,226.9	73.4%	\$1,132.9	81.9%
Transit & Tour services	935.2	41.3	444.0	26.6	250.4	18.1
	\$2,262.5	100.0%	\$1,670.9	100.0%	\$1,383.3	100.0%

Management's estimates of the components of changes in the Company's consolidated revenue are as follows:

	Percentage Increase (Decrease)		
	Year 1999 Over 1998	Year 1998 Over 1997	Year 1997 Over 1996
EXPANSION OF CUSTOMER BASE BY ACQUISITION			
Education services	2.2 %	5.8 %	19.4 %
Transit & Tour services	29.7	14.3	4.7
Subtotal	31.9	20.1	24.1
OTHER, PRIMARILY THROUGH PRICE AND VOLUME CHANGES			
Education services	4.2	1.4	1.5
Transit & Tour services	0.1	(0.1)	(1.5)
Subtotal	4.3	1.3	-
FOREIGN EXCHANGE RATE CHANGES			
Education services	(0.4)	(0.5)	(0.1)
Transit & Tour services	(0.4)	(0.1)	-
Subtotal	(0.8)	(0.6)	(0.1)
Total	35.4 %	20.8 %	24.0 %

Management's estimates of the components of changes in the revenue of the respective segments are as follows:

	Percentage Increase (Decrease)		
	Year 1999 Over 1998	Year 1998 Over 1997	Year 1997 Over 1996
EDUCATION SERVICES			
Acquisitions	3.0 %	7.1 %	24.1 %
Other, primarily through price and volume changes	5.7	1.8	1.9
Foreign exchange rate changes	(0.5)	(0.6)	(0.1)
Total	8.2 %	8.3 %	25.9 %
TRANSIT & TOUR SERVICES			
Acquisitions	111.8 %	78.5 %	23.9 %
Other, primarily through price and volume changes	0.3	(0.6)	(7.9)
Foreign exchange rate changes	(1.5)	(0.6)	(0.1)
Total	110.6 %	77.3 %	15.9 %



Education services
Transit & Tour services

* As restated excluding Safety-Kleen.

In 1999, the growth in Education services revenue was primarily attributable to price and volume growth. Route additions and higher pricing on certain underperforming contracts (predominately in California and midwestern U.S. operations), the July 1998 conversion of an existing management contract to a full service contract in Boston, Massachusetts and the addition of new conversion contracts (notably in Savannah, Georgia and Santa Rosa County, Florida (both converted in July of 1998)) contributed to the positive growth.

The growth in Transit & Tour services revenue was attributable to acquisitions, principally of Greyhound Lines, Inc. ("Greyhound") in March 1999 and Greyhound Canada Transportation Corp. ("Greyhound Canada") in October 1997. This growth was partially offset by the decline in value of the Canadian dollar.

Acquisitions by segment and the approximate aggregate annualized revenue acquired as at the dates of acquisition are as follows: (\$ millions)

Number of Acquisitions			
Year Ended August 31	1999	1998	1997
Education services	7	9	9
Transit & Tour services	7	7	2
	14	16	11
Annualized Revenue (Approximate)			
Year Ended August 31	1999	1998	1997
Education services	\$ 12.0	\$ 31.0	\$127.0
Transit & Tour services	916.0	158.0	105.0
	\$928.0	\$189.0	\$232.0

In 1999, the acquisition of Greyhound added approximately \$900 million in annualized revenue to Transit & Tour services. In 1998, the acquisition of Greyhound Canada added approximately \$127 million in annualized revenue to Transit & Tour services.

Revenue and growth in revenue from geographic components are as follows: (\$ millions)

	Revenue						Growth Rates		
	Year Ended August 31						Year 1999 Over 1998	Year 1998 Over 1997	Year 1997 Over 1996
	1999		1998		1997				
United States	\$1,972.4	87.2%	\$1,384.4	82.9%	\$1,205.4	87.1%	42.5%	14.8%	22.6%
Canada	290.1	12.8	286.5	17.1	177.9	12.9	1.3	61.0	33.9
	\$2,262.5	100.0%	\$1,670.9	100.0%	\$1,383.3	100.0%	35.4	20.8	24.0

In all years, in both the United States and Canada, the growth in revenue was primarily attributable to acquisitions.

Income from operations before amortization expense, cost of operations and operating profit margins before amortization expense (as restated excluding Safety-Kleen)

Income from operations before amortization expense and growth rates from segment components are as follows: (\$ millions)

	Income from Operations before Amortization Expense						Growth Rates		
	Year Ended August 31						Year 1999 Over 1998	Year 1998 Over 1997	Year 1997 Over 1996
	1999		1998		1997				
Education services	\$185.0	68.9%	\$184.2	83.9%	\$156.4	89.7%	0.4%	17.8%	36.5%
Transit & Tour services	83.4	31.1	35.4	16.1	17.9	10.3	135.6	97.8	5.3
	\$268.4	100.0%	\$219.6	100.0%	\$174.3	100.0%	22.2	26.0	32.4

Wages for operating personnel, equipment operating costs (including fuel and maintenance), insurance for personnel, property damage and third-party liability and depreciation represent the major components of the cost of operations. Operating costs as a percentage of revenue were 88.1% in 1999, 86.9% in 1998 and 87.4% in 1997.

In 1999, operating costs increased as a percentage of revenue primarily as a result of the

acquisition of Greyhound which has higher operating costs than the Company's other operations and increased wage costs in both the Education services segment and public transit business. Partially offsetting the decline were the route additions and contract conversions in the Education services segment and the synergies achieved in combining acquired companies in the Transit & Tour services segment.

In 1998, operating costs decreased as a percentage of revenue primarily as a result of route additions in the Education services segment, the synergies achieved in combining acquired companies in both segments and the exit of underperforming public transit contracts.

The operating profit margins, before amortization expense, of the individual segments and consolidated margins, are as follows:

Year Ended August 31	1999	1998	1997
Education services	13.9%	15.0%	13.8%
Transit & Tour services	8.9	8.0	7.1
Consolidated	11.9	13.1	12.6

In 1999, the operating profit margin, before amortization expense, in Education services was 13.9% compared to 15.0% in 1998. The decrease in the operating margin is due to the increase in driver wages to remain competitive in a tight labor market and Year 2000 related expenses. These were partially offset by route additions in markets where the segment already has a presence.

In 1998, the operating profit margin, before amortization expense, in Education services was 15.0% compared to 13.8% in 1997. This increase in the operating margin was primarily due to the synergies achieved in combining acquired companies and route additions in markets where the segment already had a presence.

In 1999, the operating profit margin, before amortization expense, in Transit & Tour services increased to 8.9% from 8.0% in 1998. The increase is due to the March 1999 acquisition of Greyhound. The Greyhound acquisition changed the segment's revenue mix reducing the percentage of revenue generated from the public transit operations. The public transit margins are more consistent throughout the year, while the intercity and tour business is seasonal. Greyhound's operating margins are expected to be approximately 5% to 6% in the Company's first fiscal quarter, negative 1% to 2% in the second fiscal quarter, positive 1% to 2% in the third fiscal quarter and 13% to 14% in the fourth fiscal quarter, averaging approximately 7% for the year. As a result, with the March acquisition of Greyhound, the Company effectively experienced approximately 70% of Greyhound's expected total annualized contribution of income from operations

before amortization. This caused the increase in the operating profit margin before amortization. Partially offsetting the positive margin trend, was an increase in driver wages experienced at the public transit business to remain competitive in a tight labor market and Year 2000 related expenses incurred throughout the entire segment. The operating profit margin before amortization expense is expected to decline somewhat in fiscal 2000, because of the effect of a full year's contribution from Greyhound.

The 1998 operating profit margin, before amortization expense, in Transit & Tour services increased to 8.0% from 7.1% in 1997. The increase in the operating margin was primarily due to the acquisition of Greyhound Canada. The Greyhound Canada acquisition changed the segment's revenue mix, reducing the percentage of revenue generated from the public transit operations. Greyhound Canada experiences a higher margin than the public transit business. In addition, the segment exited underperforming public transit contracts during 1998.

In fiscal 2000, the Company plans to continue to focus on the integration of the fiscal 1999 acquisitions, primarily Greyhound, into the Company's operations to improve the profitability of these assets. Free cash flows will be reinvested to further the growth of the Company's Education services and Transit & Tour services businesses.

Amortization expense

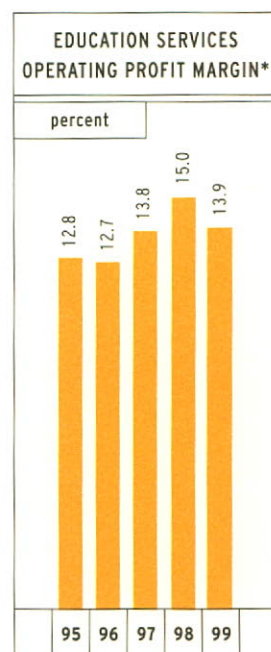
(as restated excluding Safety-Kleen)

Amortization expense for 1999 increased to \$34.8 million from \$23.6 million in 1998, due to an increase of goodwill amortization as a result of acquisitions, principally Greyhound, completed during the last 24 months.

In 1998, amortization expense increased to \$23.6 million from \$22.7 million in 1997.

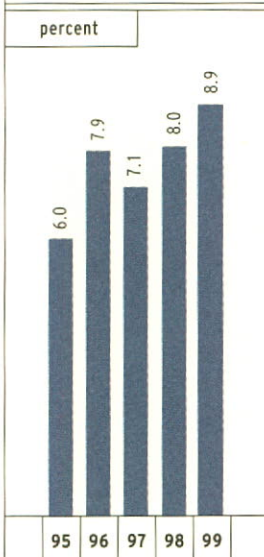
Restructuring charge

During May 1997, the Company merged its hazardous waste services business into Rollins Environmental Services, Inc. ("Rollins"), receiving aggregate consideration of approximately \$1.1 billion. The combined entity was renamed Laidlaw Environmental Services, Inc. (subsequently became



* Before amortization expense.

TRANSIT & TOUR SERVICES OPERATING PROFIT MARGIN*



* Before amortization expense.

Safety-Kleen Corp. See Note 3 of Notes to the Consolidated Financial Statements).

Upon consummation of the merger, several of the hazardous waste services facilities became redundant or were reconstituted and were valued inappropriately in the context of the combined Rollins/Laidlaw operations. Accordingly, on closing of the transaction, there was a write down of \$331.7 million (\$200.0 million after-tax) to account for these changed circumstances within the newly merged entity. As the Company then held approximately 66.5% of the equity in Safety-Kleen, it recorded its share of the write down, \$133.0 million after-tax or \$0.42 per share, as a restructuring charge during fiscal 1997.

Seasonality

Education services experiences a significant decline in revenue and operating income in the fourth fiscal quarter because of school summer vacations. This impact has been moderated somewhat as the Company has expanded its intercity coach business with the acquisition of Greyhound. Greyhound experiences its most profitable operating results in the fourth quarter. Adverse winter weather moderately affects all of the Company's operations during the Company's second fiscal quarter. See also Note 21 of Notes to Consolidated Financial Statements.

Interest expense

(as restated excluding Safety-Kleen)

In 1999, interest expense increased by 45.3% to \$91.8 million from \$63.2 million in 1998. Interest expense of \$94.0 million and \$93.0 million was allocated to the Discontinued Businesses in 1999 and 1998, respectively. Including interest expense allocated to Discontinued Businesses, interest expense increased by 19.0%. This increase was primarily due to an 18% increase in the average outstanding debt incurred to finance acquisitions, primarily the Greyhound acquisition in March 1999, and the payment of the U.S. tax liability. The remaining change is due to an increase in the cost of borrowing.

Interest expense in 1998 increased by 30.8% to \$63.2 million from \$48.3 million in 1997. Interest expense of \$49.0 million was allocated to the Discontinued Businesses in 1997. Including interest

expense allocated to Discontinued Businesses, interest expense increased by 60.5% to \$156.2 million from \$97.3 million in 1997. This increase was due primarily to a 26% increase in the average outstanding debt incurred to finance acquisitions. Significant acquisitions included American Medical Response, Inc. ("AMR") in February 1997, and EmCare Holdings, Inc. ("EmCare"), Spectrum Emergency Care, Inc. ("Spectrum") and Greyhound Canada in the quarter ended November 30, 1997. In addition, in 1997, interest expense of \$24.0 million was allocated to Safety-Kleen and interest expense of \$12.0 million was allocated to the solid waste services segment based on their proportional share of the net assets of the Company as compared to no allocation in 1998. The remaining change is due to a 7% decrease in the cost of borrowing.

Interest, dividend and other income (as restated excluding Safety-Kleen)

In 1999, interest, dividend and other income decreased slightly to \$64.7 million from \$66.9 million. The decrease is due to lower returns on the Company's investment portfolio. Partially offsetting these lower returns was a gain on sale of shares of Renal Care Group, Inc. ("RCG") totalling \$14.5 million (\$9.4 million after-tax or \$0.03 per share).

In 1998, interest, dividend and other income increased by \$4.4 million to \$66.9 million. The increase was primarily attributable to interest of \$17.5 million earned on the Safety-Kleen Pay-in-Kind Debenture ("PIK Debenture") for the full year and improved returns on the investment portfolio. The following income was recorded in the year ended August 31, 1997, but not repeated in the year ended August 31, 1998: gains on sales of United States Filter Corporation ("U.S. Filter") shares, interest accrued on the Allied Waste Industries, Inc. ("Allied") notes and interest earned on short-term deposits resulting from the proceeds from the sale of the solid waste segment.

Equity in earnings (loss) of associated companies

Safety-Kleen's contribution on an equity basis, before an unusual income tax charge and restructuring charges, for the years ended August 31, 1999, August 31, 1998 and August 31, 1997 was \$37.8 million, \$23.9 million and \$13.5 million,

respectively. The Company also recorded \$3.5 million of earnings from its ownership in Allied during the year ended August 31, 1997.

The 1999 contribution, before an unusual income tax charge, increased \$13.9 million primarily due to Safety-Kleen's acquisition of Old Safety-Kleen and the subsequent synergies realized on the combination of the two entities. In addition, the Company recorded a loss of \$5.4 million relating to its share of the \$15.0 million unusual income tax charge recorded by Safety-Kleen as a result of its repurchase of the PIK Debenture. The charge related to the write-off of the balance of a deferred tax asset recorded upon the issuance of the PIK Debenture.

The 1998 contribution, before restructuring charges, increased \$10.4 million primarily due to the realization of synergies from the Rollins acquisition in May 1997, and the Old Safety-Kleen acquisition in April 1998. In addition, the Company recorded a loss of \$17.7 million relating to its share of the \$50.8 million in restructuring and other charges recorded by Safety-Kleen during fiscal 1998. The restructuring and other charges are primarily as a result of Safety-Kleen closing some of its facilities and replacing its line of credit as a result of the acquisition of Old Safety-Kleen.

United States Tax Court settlement

On March 1, 1999, a settlement was reached involving a dispute between the Company's United States subsidiaries and the Commissioner of Internal Revenue relating to the timing and deductibility for tax purposes of interest attributable to loans owing to related foreign persons during the years from 1986 to 1994. The total net after-tax cash cost to the Company was approximately \$226 million to pay all claims on these issues for these periods. The payment includes approximately \$121 million in taxes together with interest of approximately \$161 million (\$105 million after-tax). This settlement resolves matters in the United States Tax Court (captioned as *Laidlaw Transportation, Inc. and Subsidiaries v. Commissioner of Internal Revenue*, Docket Nos. 9361-94, 9362-94 and 329-98) relating to the 1986 to 1991 fiscal years as well as claims raised in a Thirty Day Letter relating to 1992 to 1994.

As a result of this settlement, after taking into

account amounts already recorded, the Company recorded an unusual income tax charge during the year totalling \$21.0 million (\$0.06 per share).

As of August 31, 1999, the Company had paid \$281.1 million of the total amount owing. The remaining amount was paid in September 1999.

Income taxes

The effective income tax rate on income from continuing operations (before restructuring charges, dilution gain and equity in earnings (loss) of associated companies) increased to 25.0% in 1999 from 21.2% in 1998 and 21.3% in 1997. The Company expects the effective tax rate to increase moderately in the future.

Income from continuing operations

In 1999, income from continuing operations, before the unusual income tax charge, dilution gain, and the Company's share of Safety-Kleen's restructuring and unusual income tax charges increased 3.7% to \$192.7 million or \$0.58 per share compared with \$185.9 million or \$0.56 per share for the year ended August 31, 1998.

In 1998, income from continuing operations, before the dilution gain and the Company's share of Safety-Kleen's restructuring charges, increased 23.4% to \$185.9 million or \$0.56 per share compared with \$150.6 million or \$0.47 per share for the year ended August 31, 1997.

An unusual income tax charge of \$21.0 million (\$0.06 per share) was recorded during the year as a result of the United States Tax Court settlement.

Safety-Kleen incurred an unusual income tax charge totalling \$15.0 million during the year. As the Company then held approximately 36% of the equity in Safety-Kleen, it recorded its share of the write down (\$5.4 million or \$0.02 per share).

A dilution gain of \$100.7 million (\$100.7 million after-tax or \$0.30 per share) was recorded during fiscal 1998 as a result of Safety-Kleen's acquisition of Old Safety-Kleen.

Safety-Kleen incurred restructuring charges of \$50.8 million after-tax during fiscal 1998. As the Company then held approximately 35% of the equity in Safety-Kleen, it recorded its share of the write down (\$17.7 million or \$0.05 per share).

During fiscal 1997, Safety-Kleen incurred a

restructuring charge of \$331.7 million pre-tax (\$200.0 million after-tax), as a result of the acquisition of Rollins. As the Company then held approximately 66.5% of the equity in Safety-Kleen, it recorded its share of the write down (\$133.0 million or \$0.42 cents per share) as a restructuring charge.

In total, income from continuing operations was \$166.3 million or \$0.50 per share in 1999, \$268.9 million or \$0.81 per share in 1998, and \$17.6 million or \$0.05 per share in 1997.

The weighted average number of Common Shares outstanding during 1999 increased to 330.2 million from 329.8 million in 1998.

The weighted average number of Common Shares outstanding during 1998 increased 4% to 329.8 million shares from 317.1 million shares in 1997 as a result of the issue of 5.9 million Common Shares on conversion of the CareLine, Inc. convertible notes during May 1997 and the premium of 7.1 million Common Shares paid to Class A shareholders as a consequence of the share reorganization in July 1997.

Income (loss) from discontinued operations

Income (loss) from discontinued operations was a loss of \$1,285.0 million or \$3.89 per share in 1999, income of \$77.1 million or \$0.24 per share in 1998 and income of \$592.9 million or \$1.87 per share in 1997. The income (loss) from discontinued operations represents the income (loss) of the Discontinued Businesses except that the year ended August 31, 1997, also included a net gain of \$549.7 million as a result of the sale of the Company's solid waste services business to Allied and income, prior to sale, of \$15.6 million. The sale took place in December 1996 (see Note 2 of Notes to Consolidated Financial Statements).

Interest has been allocated based on the discontinued businesses' share of the Company's net assets. Income taxes, before restructuring charges, were allocated based on the Company's effective tax rate. Income taxes were allocated to the restructuring charges at the specific rate applicable to the charges.

In 1999, the loss from discontinued operations consists of the net operating loss of the Discontinued Businesses of \$281.5 million and the estimated loss on sale of the Discontinued Businesses of \$1,003.5 million. The loss on sale of the Discontin-

ued Businesses has been calculated based on the estimated net proceeds on sale less the expected net book value of the Discontinued Businesses at the time of sale.

Income from discontinued operations (before the estimated loss on sale and a restructuring charge) decreased in 1999 to \$3.5 million from \$77.1 million in 1998. The decrease was primarily due to overhead costs not declining at the same rate as revenue reductions experienced both in the ambulance services and ED management services businesses and additional physician expenses incurred in converting the physicians from independent contractors to employees (conversion costs, the employer's share of employee benefits and increased compensation). In addition, during fiscal 1998, AMR recorded an after-tax gain on sale of \$10.0 million relating to the disposition of the disease management business of STAT Healthcare Inc. ("STAT") to RCG.

In 1998, income from discontinued operations relating to the Discontinued Businesses increased to \$77.1 million from \$49.3 million in 1997 (before a restructuring charge) primarily as result of the acquisitions of AMR in February 1997, EmCare in September 1997, and Spectrum in October 1997. In addition, during fiscal 1998, AMR recorded an after-tax gain on sale of \$10.0 million relating to the disposition of the disease management business of STAT to RCG.

During the year ended August 31, 1999, the Company undertook a major restructuring of its ambulance services unit, AMR, in response to disappointing operating results. The restructuring program simplified and flattened AMR's management structure and resulted in several operating locations being closed or sold. As a result of these changes within AMR, the Company incurred a one-time pre-tax charge of \$335.0 million (\$285.0 million after-tax) associated with the revaluation of goodwill, property and equipment, severance and lease abandonment costs for the closed or sold locations.

During fiscal 1997, the acquisition of AMR more than doubled the size of the Company's ambulance services unit. As a result, a strategic restructuring initiative was undertaken to combine the Company's existing ambulance services operation along with those of AMR's under the trade name "American

Medical Response". In connection with this initiative, the Company recorded a restructuring charge of \$35.0 million (\$21.7 million after-tax).

Net income (loss) and earnings (loss) per share

In total, a loss of \$1,118.7 million or \$3.39 per share was incurred in the year ended August 31, 1999, compared to net income of \$346.0 million or \$1.05

per share in 1998 and \$610.5 million or \$1.92 per share in 1997.

The Company's consolidated financial statements have been prepared in accordance with Canadian GAAP, which conform in all material respects with U.S. GAAP, except as disclosed in Note 20 of Notes to Consolidated Financial Statements.

Financial condition (as restated excluding Safety-Kleen)

The Company's capital consisted of: (\$ millions)

August 31	1999		1998		1997	
Deferred items						
Income taxes	\$ -	- %	\$ 91.1	1.6%	\$ 176.1	3.7%
Other	242.0	4.6	97.2	1.8	118.6	2.5
Long-term debt	3,113.3	59.1	2,290.0	41.1	1,255.9	26.5
ADT-Linked Debentures	-	-	-	-	392.0	8.3
Shareholders' equity	1,913.1	36.3	3,089.9	55.5	2,794.8	59.0
	\$5,268.4	100.0%	\$5,568.2	100.0%	\$4,737.4	100.0%

The increase in other deferred items is primarily a result of premiums accrued on the Laidlaw One, Inc. 5.75% exchangeable debentures as a result of the sale of the Company's investment in U.S. Filter and the 8.50% Greyhound preferred stock (see Note 7 of Notes to the Consolidated Financial Statements). Also, additional self-insurance and other liabilities were acquired in conjunction with the Greyhound acquisition.

Long-term debt increased by a net of \$823.3 million since August 31, 1998 primarily as a result of acquisition expenditures and the \$281.1 million paid in connection with the United States Tax Court settlement. Partially offsetting the increase was the \$200.0 million in cash received in the sale of the Safety-Kleen PIK Debenture and the \$88.4 million received as consideration for the U.S. Filter shares.

Shareholders' equity decreased by \$1,176.8 million, primarily due to the net loss of \$1,118.7 million together with dividends of \$61.7 million.

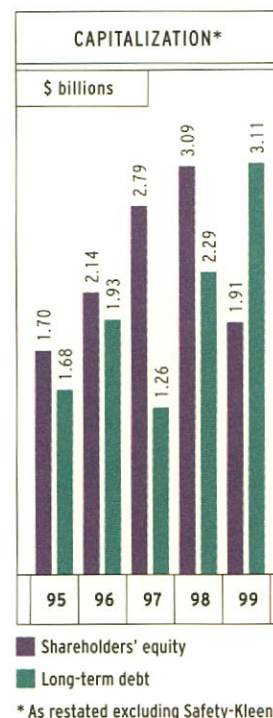
Whereas capital expenditures of \$314.1 million (\$268.7 million for continuing operations and \$45.4 million for discontinued operations) were financed from operating cash flows, acquisition expenditures of \$860.5 million (\$851.8 million for continuing operations and \$8.7 million for discontinued operations) were financed by the issuance of debt of \$542.5 million and the assumption of debt of \$318.0 million.

On August 31, 1999, the Company had available a \$1.7 billion syndicated bank facility (1998 - \$1.4 billion) of which approximately \$1.0 billion (1998 - \$0.8 billion) was unused. The revolving period of the facility extends 364 days and if not extended, the facility, to the extent it is drawn at the end of the revolving period, becomes repayable over a five-year period. Under this agreement, the Company is required to maintain certain balance sheet ratios, all of which have been met at August 31, 1999.

In 1998, long-term debt increased by a net of \$1,034.1 million as a result of acquisition expenditures of \$690.2 million and the redemption of the ADT-Linked Convertible Debentures for cash.

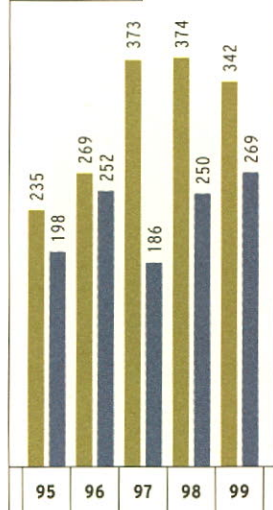
In 1998, shareholders' equity increased by \$295.1 million due to net earnings retained of \$286.1 million after dividends of \$59.9 million, and the issuance of \$10.0 million in Common Shares in conjunction with the acquisition of EmCare.

In 1998, capital expenditures of \$306.3 million (\$249.6 million for continuing operations and \$56.7 million for discontinued operations) were financed by operating cash flows, whereas acquisition expenditures of \$690.2 million (\$117.1 million for continuing operations and \$573.1 million for discontinued operations) were financed by the issuance of debt of \$563.9 million and the assumption of debt of \$126.3 million.



CASH PROVIDED BY CONTINUING OPERATING ACTIVITIES* AND CAPITAL EXPENDITURES

\$ millions



■ Cash provided by continuing operating activities*
■ Capital expenditures - sustenance and expansion (net)

* Before financing working capital, unusual income tax charges, restructuring charges and acquisition accruals.

Liquidity

Cash provided by continuing operating activities before financing working capital, unusual income tax charges, restructuring charges and acquisition accruals was \$342.3 million, \$374.1 million and \$373.2 million in 1999, 1998 and 1997, respectively. The decrease in 1999 from 1998 is due to the change in accounting for the Company's investment in Safety-Kleen. Had Safety-Kleen been accounted for by the equity method effective September 1, 1996, cash provided by operating activities before financing working capital, unusual income tax charges, restructuring charges and acquisition accruals would have been \$342.3 million, \$323.1 million and \$294.6 million in 1999, 1998 and 1997, respectively.

Cash and cash equivalents, short-term deposits and marketable securities which can be liquidated readily were \$267.1 million, \$268.3 million and \$240.7 million at August 31, 1999, 1998 and 1997, respectively.

In 1999, trade and other accounts receivable increased \$79.0 million to \$214.7 million. The average number of days sales outstanding decreased to 35 days from 47 days in 1998 primarily due to the acquisition of Greyhound which has a large proportion of cash ticket revenue.

In 1998, trade and other accounts receivable (restated excluding Safety-Kleen) increased by \$14.9 million to \$135.7 million. The average number of days sales outstanding decreased to 47 days from 54 days in 1997. The decrease is due primarily to the Greyhound Canada acquisition, which has a large proportion of cash ticket revenue.

The Company believes that the existing level of working capital of \$78.1 million is adequate for normal growth and operating needs. Trade and other accounts receivable represents the largest portion of current assets, totalling \$214.7 million at August 31, 1999 (1998 - \$135.7 million).

Capital expenditures and capital resources

Net expenditures for continuing operations for the purchase of capital assets for normal replacement requirements, and increases in services were \$268.7 million, \$249.6 million and \$185.6 million in 1999, 1998 and 1997, respectively. Excluding Safety-Kleen, the expenditures were \$268.7 million, \$234.4 million and \$140.8 million in 1999, 1998 and 1997, respectively.

Capital expenditures (for continuing operations) for the purchase of capital assets during fiscal 2000 are expected to be approximately \$300 million. The expenditures represent normal replacement and upgrading requirements and purchases of additional capital assets necessary for planned increases in services. They do not include the financing of acquisitions and new contracts, which are continuously being pursued by the Company, and for which there is no determinable budget. The Company believes that current operating cash flows are adequate to finance these expenditures. At September 30, 1999, the Company had unused bank lines of credit of approximately \$0.8 billion.

Expenditures on the acquisition of businesses for continuing operations (including long-term debt assumed) were \$851.8 million, \$117.1 million and \$323.5 million in 1999, 1998 and 1997, respectively.

Since September 1, 1996, the significant acquisitions for continuing operations were as follows:

- On March 16, 1999, the Company purchased Greyhound, an intercity bus operation, for \$816.6 million. The purchase price was financed by the Company's revolving debt facility and the assumption of debt of \$315.1 million.
- On April 3, 1998, the Company's subsidiary, Safety-Kleen acquired Old Safety-Kleen, a hazardous waste business, for \$2.2 billion. The purchase price was financed by Safety-Kleen's bank facility totalling \$1.5 billion and the issuance of 166.5 million common shares of Safety-Kleen for \$700 million. This transaction reduced the Company's investment in Safety-Kleen to approximately 35% (formerly 67%). The transaction enhanced the value of the Company's investment in the hazardous waste business while at the same time clearly defining an exit strategy to be pursued to maximize value for shareholders in the medium term.
- On October 14, 1997, the Company purchased Greyhound Canada, an intercity bus operation, for \$63.2 million. The purchase price was financed primarily by the Company's revolving bank debt facility.

Historically, as revealed in the current year's acquisitions, acquisitions have generally been financed initially with revolving/term bank loans and replaced later with longer term public issues of debt or equity.

Year 2000 Issue

The Year 2000 Issue arises because many computer systems use two digits rather than four to identify a year. Date sensitive systems may recognize the year 2000 as 1900, or some other date, resulting in errors when information using dates beyond 1999 is processed. In addition, similar problems may arise in some systems which use certain numeric combinations which coincidentally correspond to dates in 1999 and represent something other than a date. The effects of the Year 2000 Issue may be experienced, on, or after January 1, 2000, and, if not addressed prior thereto, the impact on operations and financial reporting may range from minor errors to significant system failures which could affect an entity's ability to conduct normal business operations.

Risk Analysis

Systems failures resulting from the Year 2000 problem could adversely affect operations and financial results in all of the Company's segments. Failures could affect the Company's production of financial results, payroll operations, billing operations and internal communications systems. In addition, each segment faces specific risks:

Continuing Operations

- **Education Services**
A significant portion of the segment's revenue is derived from contracts from school districts and boards. In these businesses, technology is not a significant part of the daily operations.
- **Transit & Tour Services**
Most of the segment's revenue is derived from individual consumers purchasing tickets through agencies. Significant operational disruption could occur from failure of ticketing and scheduling systems.

Discontinued Operations

- **Ambulance Services**
A significant portion of the segment's revenue is derived from Medicare and Medicaid programs. Significant operational disruption could occur from failure of the computer aided dispatch ("CAD") systems or the emergency lifesaving equipment utilized in the ambulance.
- **ED Management Services**
A significant portion of the segment's revenue is

derived from Medicare and Medicaid programs. While the Company does not own the hospital emergency lifesaving equipment, the physicians rely on the hospitals to ensure their equipment is not affected by the Year 2000 Issue.

Addressing the Year 2000 Issue

The Company has evaluated the impact of the Year 2000 Issue on its operations. It has formed a project management team to co-ordinate the identification, evaluation and implementation of changes to resolve the issue. It is engaged in a three-stage process to identify, assess, and convert/test all of its computer and operational equipment affected by the Year 2000 Issue in advance of the year 2000. The Company also plans to monitor the progress of critical business partners, particularly in the Ambulance and ED Management services segments. Finally, contingency planning will be undertaken as risks become better understood.

Inventory and Assessment Phases

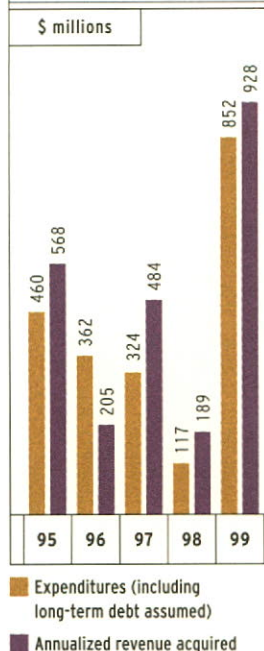
The Company is using a risk management approach to manage the Year 2000 Issue. In August 1998, the Company completed an inventory and assessment of all potentially affected, owned and leased equipment, and estimated both funding and staffing requirements to resolve this issue for its own operations, as well as for electronic interfaces with its customers and suppliers.

During the inventory and assessment phases of the project, all internal systems and external interfaces (computer and embedded technology) and customers and suppliers have been characterized by their potential impact to the business. Conversion continues to take place with the highest priority placed on the highest risk systems.

Within the Company, systems and operational equipment characterized as having a high risk are considered to be "Year 2000 ready" when they have been remediated and tested. Low risk systems and operational equipment are considered to be "Year 2000 ready" when they have been remediated and tested or certified compliant by the vendor.

The Company has engaged third-party consultants to provide a quality assurance check of each segment's inventory and plans to address the Year 2000 Issue. These phases are complete in all the Company's segments.

ACQUISITION EXPENDITURES
AND ANNUALIZED
REVENUE ACQUIRED



Conversion/Testing

Each segment is in the process of converting and testing all systems and operational equipment. As of the end of August, the status of the segments' conversion efforts is as follows:

Segment	Year 2000 Ready Dates for Potentially Affected Y2K Equipment	
	Mission Critical	Other
Continuing Operations		
Education services	Complete	Complete
Transit & Tour services	September 1999	November 1999
Discontinued Operations		
Ambulance services	September 1999	October 1999
ED Management services	Complete	Complete

Overall, approximately 92% of all Year 2000 projects have been completed.

Business Partner Monitoring

The Company has been advised by its vehicle manufacturers that there will be no effect on vehicle performance or safety related to this issue. The Company continues to investigate and monitor Year 2000 preparedness of its other suppliers and customers, particularly in the Ambulance and ED Management services segments. While there can be no guarantees of their preparedness, the Company believes that the best safeguard is to actively communicate with customers and suppliers about our progress, and to work with them to better understand their goals and progress towards meeting theirs.

Contingency Planning

Contingency plans have been put in place for all high risk systems as well as all significant suppliers and customers. Within the Ambulance and ED Management services segments, contingency plans at a regional level are a normal operational component of the business and tested on a regular basis. Where disaster recovery plans have been deemed insufficient, contingency plans are being enhanced or developed and will be complete by the end of October 1999.

The Company believes that the most likely "worst-case" scenario involves potential disruptions in areas in which the Company's operations must rely on third parties whose systems may not work properly on or after January 1, 2000. While such failures could affect important operations of the Company, either directly or indirectly, in a signifi-

cant manner, the Company cannot at present estimate either the likelihood or the potential cost of such failures.

Despite the Company's efforts, it is not possible to be certain that all aspects of the Year 2000 Issue affecting the Company, including those related to the efforts of customers, suppliers or other third parties, will be fully resolved within the desired timeframes.

Costs

As of August 31, 1999, the Company has incurred approximately \$23.0 million in capital expenditures and \$13.3 million as direct expenses to resolve the problem. Within these total project expenditures are \$5.0 million (\$2.7 million in capital expenditures and \$2.3 million in direct expenses) in project expenditures incurred at Greyhound prior to the March 16, 1999 acquisition date. Including indirect expenses, but excluding the Greyhound pre-acquisition expenses, total amounts expensed are approximately \$19 million (\$17.5 million related to continuing operations and \$1.5 million related to discontinued operations). Substantially all the expenses and capital expenditures have been incurred during the year ended August 31, 1999.

The current estimated cost to resolve the problem for these systems within the Company is \$44 million (\$16 million in direct expenses and capital expenditures of \$28 million). The remainder of the project expenditures will be undertaken during fiscal year 2000.

The details of these expenditures broken down by continuing and discontinued operations are as follows:
(\$ millions)

	Current Estimated Cost			Costs Incurred to Date		
	Direct	Capital	Total	Direct	Capital	Total
Continuing operations	\$14.8	\$17.0	\$31.8	\$12.4	\$14.2	\$26.6
Discontinued operations	1.2	11.0	12.2	0.9	8.8	9.7
Total	\$16.0	\$28.0	\$44.0	\$13.3	\$23.0	\$36.3

The Company believes that the vast majority of systems and operational equipment, particularly all high risk systems and equipment, will be converted in advance of the year 2000. Consequently, the Company believes that the Year 2000 Issue will not have a material adverse effect upon the Company's consolidated financial position or results of operation.

Factors that may affect future results

This report contains various forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including financial, operating and other projections. These statements are based on current plans and expectations of the Company and involve risks and uncertainties that could cause actual future activities and results of

operations to be materially different from those set forth in the forward-looking statements.

Important factors that could cause actual results to differ materially include, among others, risks associated with acquisitions, competitive pressures, changes in pricing policies, actual proceeds received from asset sales, business conditions in the marketplace and general economic conditions. As a result of these factors, the Company's revenue and income could vary significantly from quarter to quarter, and past financial performance should not be considered a reliable indicator of future performance.

Legal proceedings

See Note 11 of Notes to Consolidated Financial Statements.

ELEVEN YEAR FINANCIAL REVIEW

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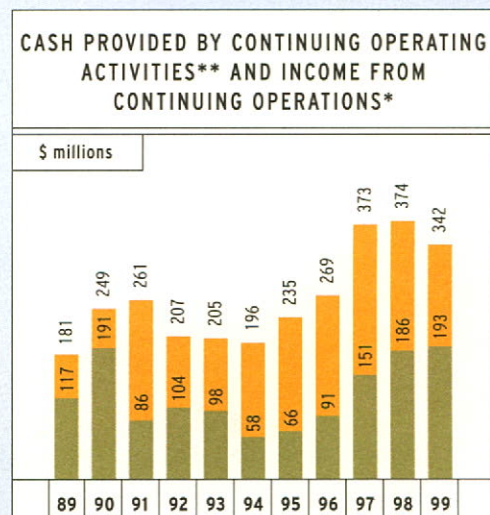
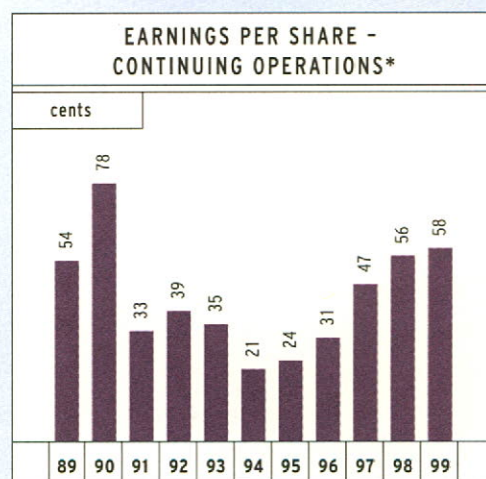
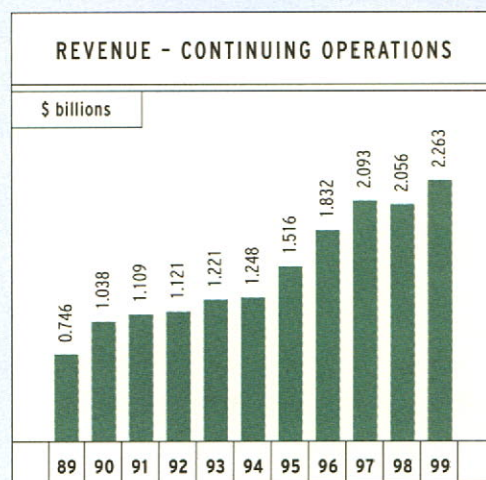
(U.S. \$ millions except per share amounts)	1999	1998	1997	1996	1995
OPERATING RESULTS - CONTINUING OPERATIONS (YEAR ENDED AUGUST 31)					
Revenue	\$2,262.5	\$2,055.7	\$2,093.3	\$1,831.7	\$1,516.1
Operating profit margin*	10.3%	12.0%	10.5%	9.7%	10.2%
Income from continuing operations*	\$ 192.7	\$ 185.9	\$ 150.6	\$ 90.6	\$ 65.8
Net profit margin (from continuing operations)*	8.5%	9.0%	7.2%	4.9%	4.3%
Cash provided by operating activities**	\$ 342.3	\$ 374.1	\$ 373.2	\$ 268.7	\$ 234.9
Capital expenditures					
- Sustenance and expansion (net)	\$ 268.7	\$ 249.6	\$ 185.6	\$ 252.1	\$ 198.3
- Acquisitions	533.8	87.9	212.5	197.0	418.6
- Total	802.5	337.5	398.1	449.1	616.9
FINANCIAL POSITION (as at August 31)					
Long-term debt (including ADT-Linked Debentures)	\$3,113.3	\$2,290.0	\$2,166.5	\$1,984.7	\$1,727.0
Shareholders' equity	1,913.1	3,089.9	2,794.0	2,136.8	1,697.4
Total assets	5,754.3	6,002.9	5,933.8	4,801.9	4,107.5
COMMON SHARES (year ended August 31)					
Earnings per share from continuing operations* (Note 14)	\$ 0.58	\$ 0.56	\$ 0.47	\$ 0.31	\$ 0.24
Cash provided by continuing operating activities** per share	\$ 1.04	\$ 1.13	\$ 1.18	\$ 0.91	\$ 0.85
Dividends per Common Share (in Canadian dollars)	\$ 0.28	\$ 0.26	\$ 0.20	\$ 0.19	\$ 0.16
Market price (as at August 31, in Canadian dollars)					
Common Shares	\$ 9.40	\$ 13.60	\$ 20.30	\$ 13.20	\$ 12.13
Net return on average common shareholders' equity*	6.6%	6.3%	5.9%	4.7%	4.0%
Shares outstanding (as at August 31, in millions)					
- Common Shares	330.2	330.2	328.8	313.8	277.3

* Before unusual income tax charges, restructuring charges, special and non-recurring charges, unusual items and dilution gain.

** Before financing working capital, unusual income tax charges, restructuring charges, special and non-recurring charges and acquisition accruals.

The above data have been restated to give retroactive effect to the discontinued operations in 1999 and 1996 and a prior period adjustment reported in 1990.

1994	1993	1992	1991	1990	1989
\$1,247.9	\$1,220.9	\$1,121.4	\$1,108.6	\$1,038.0	\$ 746.3
10.2%	11.6%	13.8%	13.9%	16.1%	16.9%
\$ 58.4	\$ 97.9	\$ 103.9	\$ 86.0	\$ 190.6	\$ 117.3
4.7%	8.0%	9.3%	7.8%	18.4%	15.7%
\$ 195.8	\$ 204.9	\$ 206.8	\$ 261.2	\$ 249.1	\$ 180.7
\$ 190.5	\$ 147.6	\$ 133.9	\$ 108.3	\$ 157.3	\$ 67.5
15.5	101.9	31.5	113.2	285.5	198.1
206.0	249.5	165.4	221.5	442.8	265.6
\$1,421.0	\$1,366.7	\$1,250.5	\$1,488.6	\$1,421.2	\$ 892.7
1,585.9	1,553.3	1,960.0	1,682.1	2,053.9	1,462.2
3,488.1	3,386.2	3,602.1	3,542.5	3,848.9	2,620.9
\$ 0.21	\$ 0.35	\$ 0.39	\$ 0.33	\$ 0.78	\$ 0.54
\$ 0.71	\$ 0.74	\$ 0.78	\$ 1.06	\$ 1.07	\$ 0.89
\$ 0.16	\$ 0.16	\$ 0.16	\$ 0.31	\$ 0.27	\$ 0.23
\$ 11.13	\$ 9.25	\$ 10.00	\$ 13.13	\$ 21.25	\$ 19.25
3.7%	5.1%	7.5%	6.1%	15.1%	19.0%
277.2	277.2	277.2	253.3	239.0	218.3



■ Cash provided by continuing operating activities**
■ Income from continuing operations*

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of Laidlaw Inc. and all the information in this annual report are the responsibility of management and have been reviewed and approved by the Board of Directors.

The financial statements have been prepared by management in accordance with generally accepted accounting principles. Where alternative accounting methods exist, management has chosen those methods deemed most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgements. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Management has ensured that the financial information presented throughout the annual report is consistent with that in the financial statements.

Laidlaw Inc. maintains systems of internal accounting and administrative controls which are of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Company's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee.

The Audit Committee is appointed by the Board, and all of its members are outside directors. The Committee meets quarterly with management, as well as with internal and external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee has reported its findings to the Board which has approved the financial statements for issuance to the shareholders. The Committee also considers, for review by the Board and approval by the shareholders, the engagement or re-appointment of the external auditors.

The consolidated statements have been audited on behalf of the shareholders by the external auditors, PricewaterhouseCoopers LLP, in accordance with generally accepted auditing standards. PricewaterhouseCoopers LLP has full and free access to the Audit Committee.



J.R. Bullock
President and Chief Executive Officer



L.W. Haworth
Senior Vice-President and Chief Financial Officer
October 13, 1999

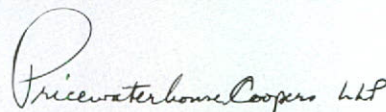
AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Laidlaw Inc. as at August 31, 1999 and 1998 and the consolidated statements of operations and retained earnings (deficit) and cash flows for each of the three years in the period ended August 31, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles

used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 1999 and 1998 and the results of its operations and cash flows for each of the three years in the period ended August 31, 1999 in accordance with Canadian generally accepted accounting principles.



Mississauga, Canada
October 13, 1999

PricewaterhouseCoopers LLP
Chartered Accountants

CONSOLIDATED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS (DEFICIT)

Year Ended August 31 (U.S. \$ millions except per share amounts)	1999	1998	1997
REVENUE	\$ 2,262.5	\$2,055.7	\$2,093.3
Operating expenses	1,576.7	1,446.5	1,530.7
Selling, general and administrative expenses	243.8	166.5	133.4
Depreciation expense	173.6	170.3	184.0
	268.4	272.4	245.2
Amortization expense	34.8	24.8	25.9
Restructuring charge (Note 12)	—	—	331.7
INCOME (LOSS) FROM OPERATIONS	233.6	247.6	(112.4)
Interest expense	(91.8)	(84.0)	(88.5)
Interest, dividend and other income	64.7	59.5	60.2
Equity in earnings (loss) of associated companies (Note 3)	32.4	(3.0)	3.5
Dilution gain (Note 3)	—	100.7	—
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES AND MINORITY INTEREST	238.9	320.8	(137.2)
Income tax recovery (expense) (Note 13)	(51.6)	(47.2)	91.0
Income tax settlement (Note 11)	(21.0)	—	—
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE MINORITY INTEREST	166.3	273.6	(46.2)
Minority interest	—	(4.7)	63.8
INCOME FROM CONTINUING OPERATIONS	166.3	268.9	17.6
INCOME (LOSS) FROM DISCONTINUED OPERATIONS (Note 2)	(1,285.0)	77.1	592.9
NET INCOME (LOSS)	\$ (1,118.7)	\$ 346.0	\$ 610.5
EARNINGS (LOSS) PER SHARE (Note 14)			
Continuing operations	\$ 0.50	\$ 0.81	\$ 0.05
Discontinued operations	(3.89)	0.24	1.87
Net income (loss)	\$ (3.39)	\$ 1.05	\$ 1.92
RETAINED EARNINGS - BEGINNING OF YEAR	\$ 1,007.1	\$ 721.0	\$ 157.5
Net income (loss)	(1,118.7)	346.0	610.5
Dividends - Preference Shares	(0.4)	(0.4)	(0.4)
- Common Shares	(61.3)	(59.5)	(46.6)
RETAINED EARNINGS (DEFICIT) - END OF YEAR	\$ (173.3)	\$1,007.1	\$ 721.0
DIVIDENDS PER SHARE			
(Cdn. \$) - Preference Shares	\$ 1.00	\$ 1.00	\$ 1.00
- Common Shares	\$ 0.28	\$ 0.26	\$ 0.20
(U.S. \$ equivalent) - Preference Shares	\$ 0.663	\$ 0.694	\$ 0.730
- Common Shares	\$ 0.186	\$ 0.180	\$ 0.146

The accompanying notes are an integral part of these statements.

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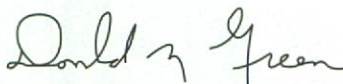
CONSOLIDATED BALANCE SHEETS

August 31 (U.S. \$ millions)	1999	1998
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 58.2	\$ 65.8
Short-term deposits and marketable securities - at cost which approximates market value	208.9	202.5
Trade and other accounts receivable (net of allowance for doubtful accounts of \$3.2; August 31, 1998 - \$3.7)	214.7	135.7
Income taxes recoverable	18.0	-
Parts and supplies	32.1	26.2
Other current assets	32.1	19.7
TOTAL CURRENT ASSETS	564.0	449.9
NET ASSETS OF DISCONTINUED OPERATIONS (Note 2)	1,617.2	2,791.5
LONG-TERM INVESTMENTS		
Investment in Safety-Kleen Corp. (Note 3)	593.0	738.1
Other	188.1	245.6
	781.1	983.7
PROPERTY AND EQUIPMENT (Note 4)	1,480.1	1,006.8
OTHER ASSETS		
Goodwill (net of accumulated amortization of \$104.3; August 31, 1998 - \$76.8)	1,212.4	740.1
Deferred charges	31.2	30.9
Deferred income taxes	68.3	-
	1,311.9	771.0
TOTAL ASSETS	\$5,754.3	\$6,002.9
The accompanying notes are an integral part of these statements.		

Signed on behalf of the Board



James R. Bullock, Director



Donald M. Green, Director

August 31 (U.S. \$ millions)	1999	1998
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 139.4	\$ 111.1
Accrued liabilities (Note 5)	337.2	218.5
Income taxes payable	—	103.3
Current portion of long-term debt (Note 7)	9.3	1.8
TOTAL CURRENT LIABILITIES	485.9	434.7
DEFERRED ITEMS		
Income taxes	—	91.1
Other (Note 6)	242.0	97.2
	242.0	188.3
LONG-TERM DEBT (Note 7)	3,113.3	2,290.0
COMMITMENTS AND CONTINGENCIES (Note 18)		
SHAREHOLDERS' EQUITY		
Preference Shares (Note 10)	8.0	8.4
Common Shares; issued and outstanding 330,209,655 (August 31, 1998 - 330,156,836) (Note 10)	2,246.8	2,246.5
Cumulative foreign currency translation adjustments	(168.4)	(172.1)
Retained earnings (deficit)	(173.3)	1,007.1
TOTAL SHAREHOLDERS' EQUITY	1,913.1	3,089.9
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$5,754.3	\$6,002.9
The accompanying notes are an integral part of these statements.		

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year Ended August 31 (U.S. \$ millions)	1999	1998	1997
NET CASH PROVIDED BY (USED IN):			
Operating activities	\$ 44.2	\$ 330.9	\$ 336.4
Investing activities	(479.9)	(780.4)	(271.4)
Financing activities	428.1	501.9	(73.4)
	(7.6)	52.4	(8.4)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	65.8	13.4	21.8
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 58.2	\$ 65.8	\$ 13.4
OPERATING ACTIVITIES			
Income from continuing operations	\$ 166.3	\$ 268.9	\$ 17.6
Add (deduct) items not affecting cash:			
Depreciation and amortization	208.4	195.1	209.9
Restructuring charge (net of tax) (Note 12)	-	-	133.0
Dilution gain (Note 3)	-	(100.7)	-
Deferred income taxes	8.2	11.5	14.2
Income tax settlement	21.0	-	-
Minority interest	-	5.1	2.0
Equity in (earnings) loss of associated companies	(32.4)	3.0	(3.5)
Gain on sale of assets (Note 16)	(14.5)	-	-
PIK Debenture interest	(17.3)	(8.8)	-
Other	2.6	-	-
Cash provided by continuing operating activities before financing working capital, restructuring charge and acquisition accruals	342.3	374.1	373.2
Cash provided by (used in) financing working capital (Note 15)	27.8	(5.2)	(46.1)
Cash used for restructuring charge and acquisition accruals	(19.1)	(44.3)	(17.9)
Income tax settlement payments (Note 11)	(281.1)	-	-
Net cash provided by continuing operating activities	69.9	324.6	309.2
Net cash provided by (used in) discontinued operating activities	(25.7)	6.3	27.2
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 44.2	\$ 330.9	\$ 336.4
INVESTING ACTIVITIES			
Purchase of property and equipment	\$ (278.6)	\$ (256.3)	\$ (181.2)
Proceeds from sale of property and equipment	24.2	24.3	19.7
Purchase of other assets	(14.3)	(17.6)	(24.1)
Expended on acquisitions (Note 17)	(533.8)	(87.9)	(212.5)
Net decrease (increase) in other long-term investments	(9.1)	18.9	(53.6)
Proceeds from sale of solid waste services segment (Note 2)	-	-	1,576.0
Proceeds from sale of assets (Notes 3, 7 and 16)	372.4	1.8	20.2
Net cash provided by (used in) continuing investing activities	(439.2)	(316.8)	1,144.5
Net cash used in investing activities of discontinued operations	(40.7)	(463.6)	(1,415.9)
NET CASH USED IN INVESTING ACTIVITIES	\$ (479.9)	\$ (780.4)	\$ (271.4)
FINANCING ACTIVITIES			
Proceeds from issue of long-term debt	\$ 1,602.2	\$ 1,521.6	\$ 332.8
Repayment of ADT-Linked Convertible Debentures	-	(392.0)	-
Repayments of long-term debt and other non-current liabilities	(1,086.4)	(1,040.7)	(1,747.1)
Proceeds from share issues (Note 10)	0.3	15.9	80.3
Dividends	(61.7)	(59.9)	(47.0)
Repurchase of preference shares for redemption	(0.3)	(0.3)	(0.3)
Net cash provided by (used in) continuing financing activities	454.1	44.6	(1,381.3)
Net cash provided by (used in) financing activities of discontinued operations	(26.0)	457.3	1,307.9
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	\$ 428.1	\$ 501.9	\$ (73.4)
SUPPLEMENTAL CASH FLOW INFORMATION			
Cash paid (received) during the year for:			
Interest	\$ 210.7	\$ 184.1	\$ 160.8
Income taxes	288.8	(16.0)	113.9

The accompanying notes are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of Laidlaw Inc. ("the Company") have been prepared in accordance with accounting principles generally accepted in Canada ("Canadian GAAP") and all figures are presented in U.S. dollars, as the majority of the Company's operating assets are located in the United States. Except as indicated in Note 20, the consolidated financial statements conform, in all material respects, with accounting principles generally accepted in the United States ("U.S. GAAP").

The preparation of financial statements in accordance with generally accepted accounting principles requires the Company to make estimates and assumptions that affect reported amounts of assets, liabilities, revenue and expenses, and disclosure of contingencies. Future events could alter such estimates in the near term. (See also Notes 2, 6 and 18.)

A summary of significant accounting policies followed in the preparation of these consolidated financial statements is as follows:

Consolidation

The consolidated financial statements include the accounts of Laidlaw Inc. and all of its subsidiary companies. All significant intercompany transactions are eliminated. The purchase method of accounting for business combinations has been used.

Revenue recognition

Revenue is recognized at the time services are provided. Revenue collected on contracts and tickets in advance is deferred and taken into income as the services are provided.

Income taxes

Deferred income taxes are provided for all significant timing differences arising from recognizing certain expenses, principally depreciation, in different periods for income tax and financial reporting purposes.

Cash and cash equivalents

Cash and cash equivalents include short-term investments that are part of the Company's cash management portfolio. These investments are highly liquid and have original maturities of three months or less.

Parts and supplies

Parts and supplies are valued at the lower of cost, determined on a first-in, first-out basis and replacement cost.

Long-term investments

Investments in shares of associated companies, over which the Company has significant influence, are accounted for by the equity method. Other long-term investments are carried at cost.

Property and equipment

Property and equipment are stated at cost. Depreciation and amortization of property and equipment is provided substantially on a straight-line basis over their estimated useful lives which are as follows:

Buildings - 20 to 40 years, and

Vehicles and other - 3 to 18 years.

The Company periodically reviews the carrying values of its capital assets to determine whether such values are recoverable. The amount of any impairment is charged against income.

Other assets

Goodwill is amortized on a straight-line basis over 40 years. The Company reviews the value assigned to goodwill to determine if it has been permanently impaired in value. The measurement of possible impairment is based primarily on the ability to recover the balance of the goodwill from expected future operating cash flows on an undiscounted basis. The amount of any impairment is charged against income. Deferred charges, other than deferred financing costs, are amortized on a straight-line basis over a two to five-year period depending on the nature of the deferred costs. Deferred financing costs are amortized over the life of the related debt instrument.

Deferred items - other

Non-current portions of claims and acquisition related liabilities are classified as other deferred items.

Foreign currency translation

The Company's operations are all of a self-sustaining nature. Assets and liabilities are translated to U.S. dollars at the exchange rate in effect at the balance sheet date and revenue and expenses at weighted monthly average exchange rates for the year.

Financial instruments

The Company's accounts receivable, accounts payable, income taxes and long-term debt constitute financial instruments. Based on management's estimates, the carrying value of the Company's accounts receivable, accounts payable and income taxes approximates their fair value as at August 31, 1999. Concentration of credit risks in accounts receivable is limited, due to the large number of customers comprising the Company's customer base throughout North America. The Company performs ongoing credit evaluations of its customers, but does not require collateral to support customer accounts receivable. The Company establishes an allowance for doubtful accounts based on the credit risk applicable to particular customers, historical trends and other relevant information. See Notes 7 and 8 for fair value information pertaining to long-term debt and derivative financial instruments.

The Company uses derivative financial instruments for purposes other than trading to minimize the risk and costs associated with financing and operating activities. Contracts that effectively meet risk reduction and correlation criteria are recorded using hedge accounting. Unrealized gains and losses resulting from market movements are not recognized. Hedges of firm commitments are deferred and recognized when the hedged transaction occurs.

Comparative figures

Certain figures as at August 31, 1998 and for the years ended August 31, 1998 and 1997 have been reclassified to conform to the current period's presentation.

2. DISCONTINUED OPERATIONS

Ambulance Services and Emergency Department ("ED") Management Services

On September 13, 1999 the Company announced that it plans to divest its Ambulance services and ED Management services businesses (the "Discontinued Businesses"). Divestitures of the Discontinued Businesses are expected to take place during fiscal 2000.

As a result of this plan of disposal, the results of operations for the Discontinued Businesses have been reported as discontinued operations and previously reported financial statements have been restated. Interest has been allocated to the Discontinued Businesses based on their share of the Company's net assets. Income taxes, before restructuring charges, have been allocated based on the Company's effective tax rate. Income taxes were allocated to the restructuring charges at the specific rate applicable to the charges.

The summarized statements of operations for the Discontinued Businesses are as follows:

Year Ended August 31 (\$ millions)	1999	1998	1997
Revenue	\$ 1,490.5	\$1,634.5	\$937.3
Income (loss) from operations	(236.3)	174.1	76.6
Interest expense	(94.0)	(93.0)	(49.0)
Interest, dividend and other income	—	16.8	—
Income (loss) before income taxes	(330.3)	97.9	27.6
Income tax recovery (expense)	48.8	(20.8)	—
Income (loss) for the year	(281.5)	77.1	27.6
Provision for loss on sale of discontinued operations	(1,003.5)	—	—
Income (loss) from discontinued operations	\$ (1,285.0)	\$ 77.1	\$ 27.6

After the allocation of \$94 million of interest and the allocation of applicable taxes, no significant income or loss is anticipated during the phase-out period.

During fiscal 1999, the Company undertook a major restructuring of its ambulance services unit, American Medical Response ("AMR"), in response to disappointing operating results. The restructuring program simplified and flattened AMR's management structure and resulted in several operating locations being closed or sold. As a result of these changes within AMR, the Company incurred a one-time pre-tax charge of \$335.0 million (\$285.0 million after-tax) associated with the revaluation of goodwill, property and equipment, severance and lease abandonment costs for the closed or sold locations.

During fiscal 1997, the acquisition of AMR more than doubled the size of the Company's ambulance services unit. As a result, a strategic restructuring initiative was undertaken to combine the Company's existing ambulance services operation along with those of AMR's under the trade name "American Medical Response". In connection with this initiative, the Company recorded a restructuring charge of \$35.0 million (\$21.7 million after-tax).

The summarized balance sheets for the Discontinued Businesses are as follows:

August 31 (\$ millions)	1999	1998
Current assets	\$ 472.0	\$ 467.0
Property and equipment	155.6	185.9
Goodwill	1,979.8	2,293.7
Deferred income taxes	157.5	107.3
Other non-current assets	42.1	10.4
	2,807.0	3,064.3
Current liabilities	135.6	196.5
Non-current liabilities	50.7	76.3
Net assets of discontinued operations before net realizable value provision	2,620.7	2,791.5
Net realizable value provision	(1,003.5)	—
Net assets of discontinued operations	\$ 1,617.2	\$2,791.5

Solid Waste Services

On December 30, 1996 the Company sold its solid waste services business, "Laidlaw Waste Systems," to Allied Waste Industries, Inc. ("Allied") for a total consideration of \$1,624.2 million consisting of:

(i) \$1.2 billion in cash, (ii) 14.6 million common shares of Allied, representing 19.9% of Allied's common shares, (iii) a \$150.0 million, 12-year 7% note, (iv) a \$168.3 million, 12-year zero coupon note, and (v) 12-year warrants to purchase 20.4 million Allied common shares at \$8.25 each. A gain on sale of \$549.7 million, net of provisions, was recognized during fiscal 1997.

On May 15, 1997 the Company disposed of the Allied shares, notes and warrants for \$376 million in cash.

The results of operations of the Company's Solid Waste services segment for the year ended August 31, 1997 were shown as discontinued operations. Interest was allocated to the Solid Waste services segment based on its share of the Company's net assets. Income taxes were allocated based on the Company's effective tax rate.

Summarized financial information for the Solid Waste services segment is as follows:

Year Ended August 31 (\$ millions)	1999	1998	1997
Revenue	\$ -	\$ -	\$266.0
Income from operations	-	-	31.8
Interest expense	-	-	(12.0)
Interest, dividend and other income	-	-	-
Income before income taxes	-	-	19.8
Income taxes	-	-	4.2
Income for the year	-	-	15.6
Gain on sale of discontinued operations *	-	-	549.7
Income from discontinued operations	\$ -	\$ -	\$565.3

* Net of income taxes of \$132.0 million.

The 1997 operating results were for the four month period ended December 30, 1996.

3. INVESTMENT IN SAFETY-KLEEN CORP.

Pursuant to a merger agreement dated March 16, 1998 between the Company's subsidiary, Laidlaw Environmental Services, Inc. ("LESI") and Safety-Kleen Corp., LESI acquired the outstanding shares of Safety-Kleen Corp. for a total consideration of approximately \$2.2 billion, including debt assumed and estimated transaction costs. The consideration was comprised of \$1.5 billion in cash and the issue of 41.6 million common shares of LESI. LESI subsequently changed its name to Safety-Kleen Corp. ("Safety-Kleen"). As a result of this transaction, the Company's ownership of Safety-Kleen was reduced to approximately 35% from the previous level of 67%. The Company ceased to consolidate Safety-Kleen's results and began to account for Safety-Kleen using the equity method effective March 1, 1998. In addition, as a result of this transaction, the Company realized a gain on dilution of its ownership in Safety-Kleen of \$100.7 million (\$100.7 million after-tax or \$0.30 per share) during fiscal 1998. The dilution gain resulted from the issue of shares by Safety-Kleen at a price per share in excess of the Company's carrying value per share.

During the year, the Company received 1.545 million shares of Safety-Kleen at a value of \$22.5 million in satisfaction of interest payments due on the Pay-in-Kind Debenture ("PIK Debenture") (1998 - 0.980 million shares at a value of \$17.5 million).

On August 27, 1999, Safety-Kleen purchased its \$350 million PIK Debenture from the Company for \$200.0 million in cash and 11.321 million shares of Safety-Kleen at a value of \$150.0 million. As a result, the Company's ownership in Safety-Kleen increased to 43.6%. The transaction resulted in no gain or loss. The cash portion of the repayment was used to reduce outstanding debt.

The Company's investment in Safety-Kleen comprises the following:

August 31 (\$ millions)	1999	1998
PIK Debenture	\$ -	\$350.0
Investment in 43.8 million (1998 - 31.0 million) Safety-Kleen common shares (ownership 43.6% at August 31, 1999; 35.3% at August 31, 1998)	593.0	388.1
Total investment	\$593.0	\$738.1

The investment in Safety-Kleen common shares (quoted market value of \$559.0 million as at August 31, 1999) is accounted for by the equity method.

The equity in earnings (loss) of associated companies for the years ended August 31, 1999 and 1998 comprises the Company's share in Safety-Kleen's:

August 31 (\$ millions)	1999	1998
Net income for the year (1998 - for the period March 1, 1998 to August 31, 1998) before an unusual income tax charge and restructuring charges	\$ 37.8	\$ 14.7
Unusual income tax charge	(5.4)	-
Restructuring charges	-	(17.7)
Total	\$ 32.4	\$ (3.0)

The Company has indemnified Safety-Kleen for any environmental liability or environmental claim arising as a result of the Marine Shale Processors or the Mercier, Quebec facilities which occurred prior to May 15, 1997. The Company has indemnified Safety-Kleen for any costs greater than one million dollars incurred in each year following May 15, 1997. This yearly indemnification shall be maintained until May 15, 2003. The Company does not believe that these matters will be material to the Company's operations or financial condition.

The Company has guaranteed certain long-term debt of Safety-Kleen in the amount of \$75.7 million.

Had the investment in Safety-Kleen been accounted for by using the equity method effective September 1, 1996, the consolidated income statements would have been presented as follows: (\$ millions) (unaudited)

	1999	1998	1997
Year Ended August 31	Actual	Actual Pro Forma	Actual Pro Forma
Revenue	\$2,262.5	\$2,055.7 \$1,670.9	\$2,093.3 \$1,383.3
Operating expenses	1,576.7	1,446.5 1,177.3	1,530.7 1,020.0
Selling, general and administrative expenses	243.8	166.5 127.3	133.4 56.7
Depreciation expense	173.6	170.3 146.7	184.0 132.3
Income from operations before amortization expense and restructuring charge	268.4	272.4 219.6	245.2 174.3
Amortization expense	34.8	24.8 23.6	25.9 22.7
Restructuring charge	-	- -	331.7 -
Income (loss) from operations	233.6	247.6 196.0	(112.4) 151.6
Interest expense	(91.8)	(84.0) (63.2)	(88.5) (48.3)
Interest, dividend and other income	64.7	59.5 66.9	60.2 62.5
Equity in earnings (loss) of associated companies	32.4	(3.0) 6.2	3.5 (116.0)
Dilution gain	-	100.7 100.7	- -
	238.9	320.8 306.6	(137.2) 49.8
Income tax recovery (expense)	(51.6)	(47.2) (37.7)	91.0 (32.2)
Income tax settlement	(21.0)	- -	- -
Minority interest	-	(4.7) -	63.8 -
Income from continuing operations	166.3	268.9 268.9	17.6 17.6
Income (loss) from discontinued operations	(1,285.0)	77.1 77.1	592.9 592.9
Net income (loss)	\$(1,118.7)	\$ 346.0 \$ 346.0	\$ 610.5 \$ 610.5

4. PROPERTY AND EQUIPMENT

August 31 (\$ millions)	1999	1998
	Cost Accumulated Depreciation and Amortization Net	Cost Accumulated Depreciation and Amortization Net
Land	\$ 157.7 \$ - \$ 157.7	\$ 62.1 \$ - \$ 62.1
Buildings	212.9 42.9 170.0	113.5 36.7 76.8
Vehicles and other	1,741.2 588.8 1,152.4	1,394.7 526.8 867.9
	\$2,111.8 \$631.7 \$1,480.1	\$1,570.3 \$563.5 \$1,006.8

5. ACCRUED LIABILITIES

August 31 (\$ millions)	1999	1998
Accrued wages and benefits	\$ 34.3	\$ 18.7
Current portion of claims liabilities (Note 6)	97.6	58.8
Interest payable	55.2	51.7
Other	150.1	89.3
	\$337.2	\$218.5

6. DEFERRED ITEMS - OTHER

August 31 (\$ millions)	1999	1998
Claims liabilities	\$ 99.0	\$ 58.5
Premium accruals (Note 7)	54.3	-
Other	88.7	38.7
	\$242.0	\$ 97.2

The Company's \$196.6 million (1998 - \$117.3 million) of claims liabilities as at August 31, 1999 (current liabilities of \$97.6 million and non-current liabilities of \$99.0 million), represent claim reserves for the Company's insurance programs. The Company retains liability for auto liability, general liability and worker's compensation claims, where permitted, for the first \$5 million of any one occurrence. The Company purchases aggregate stop loss insurance to limit the Company's exposure to losses between \$3 million and \$5 million and full insurance for losses in excess of \$5 million. The current portion of these liabilities represents the payments expected to be made during the next 12 months.

7. LONG-TERM DEBT

Long-term debt as at August 31, 1999 and 1998 was as follows: (\$ millions)

		Weighted Average Interest Rate*		August 31 Book Value	
	Maturity	1999	1998	1999	1998
DEBT PAYABLE WITHIN ONE YEAR					
Total debt payable within one year		7.2%	6.1%	\$ 9.3	\$ 1.8
LONG-TERM DEBT					
Unsecured senior indebtedness					
Bank debt	2000-2005	5.5%	5.4%	649.2	454.8
Notes and other	2000-2033	7.4%	6.2%	137.3	87.9
Debentures	2000-2027	7.4%	7.6%	2,326.8	1,747.3
Total long-term debt				3,113.3	2,290.0
Total debt				\$3,122.6	\$2,291.8
Fair value* of all long-term debt				\$3,071.0	\$2,444.0

* Excludes the effect of interest rate swap agreements.

On August 31, 1999, the Company had available a \$1.7 billion syndicated bank facility (1998 - \$1.4 billion) of which approximately \$1.0 billion was unused. The revolving period extends 364 days and if not extended, the facility, to the extent it is drawn at the end of the revolving period, becomes repayable over a five-year period. Under this agreement, the Company is required to maintain certain balance sheet ratios, all of which have been met at August 31, 1999.

Included in Debentures as at August 31, 1999 and 1998 is a \$200 million, 6.72% debenture due October 1, 2027 which is redeemable at the option of the holder on October 1, 2007 at par plus accrued interest.

Included as part of Notes and Other at August 31, 1999 were obligations pertaining to U.S. Filter Corporation ("U.S. Filter") and the acquisition of Greyhound Lines, Inc. ("Greyhound").

In November 1995, Laidlaw One, Inc., a wholly-owned subsidiary of the Company, issued 2,965,829 - 5.75% exchangeable notes due December 31, 2000 (the "Exchangeable Notes"). The Exchangeable Notes are unconditionally guaranteed by the Company. Each Exchangeable Note was exchangeable into 1.5 to 1.2296 shares of common stock of U.S. Filter based on the then market price of the shares. These Exchangeable Notes were hedged by 3,646,783 common shares of U.S. Filter held by the Company. During fiscal 1998, the Company repurchased 683,600 of the Exchangeable Notes in exchange for 840,520 shares of U.S. Filter and approximately \$1 million in cash. In March 1999, Vivendi S.A. acquired U.S. Filter. Each common share of U.S. Filter was converted into the right to receive \$31.50 in cash. As a result, each Exchangeable Note is now exchangeable into \$38.7324 in cash at maturity. The resulting premium of \$39.9 million on the Exchangeable Notes is included in the "Deferred items - other" caption of the balance sheet (see Note 6). The \$88.4 million in proceeds received on the sale of the U.S. Filter shares held by the Company was used to reduce outstanding bank debt.

The Company acquired Greyhound in March 1999. Greyhound had 2.4 million convertible preferred shares outstanding at that time. The convertible preferred shares represented 12.3 million equitable common shares. Following the acquisition, each share of preferred stock is convertible into \$33.33 in cash. At August 31, 1999, the holders of the convertible preferred shares had converted 0.67 million shares for approximately \$22.3 million in cash. The Company has fully provided for the remaining \$14.4 million

conversion premium on the preferred shares. This accrual is included in the "Deferred items - other" caption of the balance sheet (see Note 6).

The Company's interest rate objectives are achieved through interest rate swap agreements. At August 31, 1999, these instruments decreased the weighted-average interest rate on long-term debt by approximately 4% as compared to approximately 12% in 1998.

The aggregate amount of minimum payments required on long-term debt in each of the years indicated is as follows: (\$ millions)

Year Ending August 31, 2000	\$ 9.3
2001	124.1
2002	206.8
2003	171.8
2004	1.4
thereafter	2,609.2
	<u>\$3,122.6</u>

Debentures at August 31, 1999 included a \$200 million, 8.75% debenture due January 1, 2000 which the Company intends to refinance using the syndicated bank facility and therefore, has not classified as current.

8. DERIVATIVE FINANCIAL INSTRUMENTS

The Company enters into interest rate swap contracts and interest rate options to lower funding costs and alter interest rate exposures. The floating rates on swaps are based primarily on U.S. dollar LIBOR and reset on a quarterly or semi-annual basis.

Notional amounts, weighted average maturities and range of maturities for derivatives as at August 31, 1999 and 1998, are as follows: (\$ millions)

	1999			1998		
	Notional Amount	Weighted Average Maturities	Range of Maturities	Notional Amount	Weighted Average Maturities	Range of Maturities
Interest Rate Swaps	\$1,975.0	16.6 yrs.	0.1-30.0 yrs.	\$1,664.0	10.1 yrs.	0.2-29.6 yrs.
Interest Rate Options	\$ -	-	-	\$ 650.0	0.7 yrs.	0.2-1.0 yrs.

Credit risk arises from the possible inability of counterparties to meet the terms of their contracts on a net basis. All of the Company's interest rate swap agreements have been entered into with major financial institutions which are expected to fully perform under the terms of the agreements. The Company's credit exposure on swaps is related not to the notional balances of the interest rate swaps and options, but to the current and potential replacement costs of all profitable contracts at year end. At August 31, 1999 this credit exposure is immaterial. Credit exposure will increase along with the market value of the swaps and options, if interest rates increase, and decrease if interest rates decline.

Derivative financial instrument fair values represent an approximation of amounts the Company would have paid to or received from counterparties to unwind its positions prior to maturity. The Company's fair value obligation for all interest rate derivative contracts as of August 31, 1999, was approximately \$52 million (1998 - \$23 million). At August 31, 1999, the Company had no plans to unwind these positions prior to maturity.

9. PENSION PLANS

The Company has 14 (August 31, 1998 - five) defined benefit pension plans. The first plan (the Amalgamated Transit Union ("ATU") Plan) covers substantially all of the ongoing hourly rated employees hired before November 1, 1983 by the Company's subsidiary, Greyhound. The ATU Plan provides normal retirement benefits to the covered employees based upon a percentage of average final earnings, reduced pro rata for service of less than 15 years. Participants in this plan will continue to accrue benefits as long as no contributions are due from the Company. In the event a contribution is required, the plan benefits will be frozen until such time as the assets of the plan exceed 115% of the plan liabilities. The second plan covered salaried employees of Greyhound through May 7, 1990, when the plan was curtailed. The third plan is a multi-employer pension plan, instituted in 1992, to cover certain union mechanics of Greyhound

represented by the International Association of Machinists and Aerospace Workers. Six plans are held by various subsidiaries of Greyhound and cover substantially all of their salaried and hourly personnel. The remaining plans relate to Greyhound Canada Transportation Corp. and cover employees represented by the Canadian Auto Workers and the ATU and all non-unionized employees meeting certain eligibility requirements. It is the Company's policy to fund the minimum required contribution under existing laws.

August 31 (\$ millions)	1999	1998
CHANGE IN BENEFIT OBLIGATION:		
Benefit obligation at beginning of year	\$116.6	\$ —
Service cost	4.8	2.7
Interest cost	23.8	6.1
Plans transferred from acquisition	783.6	125.1
Plan amendments	0.4	1.2
Actuarial (gain) loss	(29.5)	0.5
Benefits paid	(32.2)	(5.2)
Foreign exchange	6.2	(13.8)
Benefit obligation at end of year	\$873.7	\$116.6
CHANGE IN PLAN ASSETS:		
Fair value of plan assets at beginning of year	\$106.6	\$ —
Actual return on plan assets	38.6	6.9
Employer contribution	1.2	0.8
Plans transferred from acquisition	806.8	115.2
Plan participants' contributions	1.3	1.0
Benefits paid	(32.2)	(5.2)
Foreign exchange	5.5	(12.1)
Fair value of plan assets at end of year	\$927.8	\$106.6
Funded status	\$ 54.1	\$ (10.0)
Unrecognized net (gain) loss	(25.2)	13.2
Prepaid benefit cost	\$ 28.9	\$ 3.2

Three of the Company's pension plans (August 31, 1998 – one) have accumulated benefit obligations in excess of plan assets, for which the projected benefit obligation, accumulated benefit obligation and fair value of plan assets are \$39.5 million, \$39.5 million and \$35.6 million, respectively, as of August 31, 1999 (\$0.5 million, \$0.5 million and \$NIL, respectively as at August 31, 1998). Six of the Company's pension plans (August 31, 1998 – four) have projected benefit obligations in excess of plan assets, for which the projected benefit obligation, accumulated benefit obligation and fair value of plan assets are \$159.4 million, \$126.8 million, \$146.6 million, as of August 31, 1999 (\$110.6 million, \$79.7 million and \$98.2 million, respectively, as at August 31, 1998).

Plan assets consist primarily of government-backed securities, corporate equity securities, guaranteed insurance contracts, annuities and corporate debt obligations.

In determining the benefit obligations and service costs for the Company's defined benefit pension plans, the following assumptions were used:

August 31 (\$ millions)	1999	1998
WEIGHTED-AVERAGE ASSUMPTIONS FOR END OF YEAR DISCLOSURE:		
Weighted-average discount rate	7.3 – 7.5%	7.5%
Rate of salary progression	4.0 – 6.0%	4.0%
Expected long-term rate of return on plan assets	7.5 – 9.0%	7.5%
COMPONENTS OF NET PERIODIC PENSION (INCOME) COST (\$ millions):		
Service cost	\$ 4.8	\$ 2.7
Interest cost	23.8	6.1
Expected return on assets	(27.5)	(6.9)
Amortization of actuarial gain and transition asset	(1.2)	(1.1)
Net periodic pension (income) cost	\$ (0.1)	\$ 0.8

10. CAPITAL STOCK

(a) Authorized

An unlimited number of Common Shares.

Unlimited numbers of First, Second, Third and Fourth Preference Shares, each of which is issuable in series, are authorized. Unlimited numbers are designated as First Preference Shares Series E, Convertible First Preference Shares Series F and Convertible First Preference Shares Series G.

(b) Issued and fully paid preference shares

August 31 (\$ millions except per share amounts)	1999	1998	1997
5% Cumulative Convertible First Preference Shares Series G; issued at Cdn. \$20 per share, redeemable at the Company's discretion, at Cdn. \$20 per share; issued and outstanding			
547,070 (1998 - 573,070; 1997 - 593,070)	\$8.0	\$8.4	\$8.7

(c) Material changes in all classes of Capital Stock since September 1, 1996:

- (i) On July 23, 1997, the Company's shareholders approved a share reorganization resulting in a single class of voting shares. The reorganization resulted in a reclassification of the Company's Class A Shares and Class B Non-Voting Shares into a single new class of voting common shares ("Common Shares"). Under the reorganization, each Class A Share was converted into Common Shares on the basis of 1.15 Common Shares for each Class A Share and each Class B Non-Voting Share was converted into Common Shares on the basis of one Common Share for each Class B Non-Voting Share. The conversion of the Class A Shares resulted in an additional 7,144,529 Common Shares being issued.
- (ii) On October 27, 1995, the Company assumed \$75.0 million of 8% Convertible Senior Subordinated Notes due 2001 in conjunction with the CareLine, Inc. acquisition. These notes were convertible into Common Shares at the option of the holder at a conversion price of U.S. \$10.91 per share. During fiscal 1996, \$10.1 million in principal value of these notes were converted into 925,756 Common Shares. During fiscal 1997, the remaining balance of \$64.2 million in principal value of these notes were converted into 5,882,184 Common Shares.

(d) Employee stock option plans

A total of 335,750 options to purchase Common Shares at Cdn. \$22.75 per share remain outstanding under the 1984 Employee Stock Option Plan. These options are exercisable May 1, 2000 and will expire if unexercised. At August 31, 1999, a total of 7,499,775 options to purchase Common Shares were outstanding under the 1991 employee stock option plan and 3,174,000 were outstanding under the 1998 Employee Stock Option Plan. Upon the March 16, 1999 acquisition of Greyhound, the Company assumed options to purchase 1,200,000 Common Shares pursuant to the agreement effective October 1, 1998, between Greyhound and the ATU. These options vest and become exercisable on October 1, 2000 and terminate, subject to conditions of services, on September 30, 2005. All other options granted under these two plans are for a term of ten years from the date of grant and become exercisable with respect to 20% of the total number of shares subject to the option, one year after the date of grant, and with respect to an additional 20% at the end of each twelve-month period thereafter on a cumulative basis during the succeeding four years. The plans provide for the granting of stock options to certain senior employees and officers of the Company at the discretion of the Board of Directors. All options are subject to certain conditions of service and, in certain circumstances, a non-competition agreement.

The following sets out information with respect to the employee stock option plans:

Year Ended August 31	1999	1998	1997
Options outstanding at beginning of year	7,613,575	6,431,225	7,109,825
Options granted during the year	4,273,750	2,338,000	1,883,000
Options terminated during the year	(875,100)	(584,950)	(853,000)
Options exercised during the year	(2,700)	(570,700)	(1,708,600)
Options outstanding at end of year	11,009,525	7,613,575	6,431,225
Options exercisable at end of year	4,236,275	2,740,465	2,093,125
Options available for future grants			
at end of year	2,363,456	812,225	2,580,275
Total exercise price of options outstanding			
at end of year (Cdn. \$ millions)	\$149.0	\$124.1	\$92.8
Option price ranges:			
Options granted:	CDN \$ -	\$19.90 - \$20.30	\$19.05
	US \$ \$6.25 - \$8.00	\$14.625 - \$15.25	\$11.75
Options terminated:	CDN \$ \$8.50 - \$19.90	\$8.50 - \$22.75	\$8.50 - \$18.417
	US \$ \$6.25 - \$15.25	\$15.25	\$11.75
Options exercised:	CDN \$ \$8.50	\$7.625 - \$19.05	\$7.625 - \$18.417
	US \$ -	-	-
Options outstanding at year end:	CDN \$ \$7.625 - \$22.75	\$7.625 - \$22.75	\$7.625 - \$22.75
	US \$ \$6.25 - \$15.25	\$11.75 - \$15.25	\$11.75

During 1999, a total of 2,700 (1998 - 570,700; 1997 - 1,708,600) Common Shares were issued under the plans for proceeds of \$NIL million (1998 - \$4.2 million; 1997 - \$15.8 million).

(e) Directors' stock option plan

At August 31, 1999, 297,000 Common Shares were reserved for issuance on the exercise of options granted under the directors' stock option plan. All options under this plan are for a term of ten years from the date of the grant and become exercisable with respect to 20% of the total number of shares subject to the option on each of the five successive anniversaries of the date of the grant. Options are subject to certain conditions of service.

During 1999, options to purchase 55,000 (1998 - 55,000; 1997 - 26,000) Common Shares were granted and 9,000 options were terminated (1998 - NIL; 1997 - NIL).

At August 31, 1999 the aggregate options outstanding entitled non-executive directors to purchase 181,000 (1998 - 135,000; 1997 - 83,000) Common Shares at prices ranging from Cdn. \$14.30 to \$19.90 per share and US. \$8.00 per share.

During 1999 no Common Shares were issued under the plan (1998 - 3,000; 1997 - NIL).

(f) Employee stock purchase plans

During 1999, the Company established the Employee Stock Purchase Plans (the "Plans"). The Plans are available to all non-unionized hourly and salaried employees of the Company and its subsidiaries meeting certain eligibility requirements. Each eligible employee, who enrolls in the Plans, may elect to withhold from 1% to 10% of his or her salary or hourly earnings to a maximum \$10,000 (\$10,000 CDN for Canadian employees) in any stock purchase period as a payroll deduction to be retained by the Company for purposes of these Plans. The stock purchase periods run from January 1st to June 30th and from July 1st to December 31st in any given calendar year. As at the last day of a particular stock purchase period, the accumulated payroll deductions retained by the Company for purposes of these Plans shall be used to purchase Common Shares of the Company at a price equal to 85% of the lower of the weighted average stock price of the five consecutive trading days ending on the beginning of the stock purchase period or ending on the last day of the stock purchase period. At August 31, 1999, 4,949,881 Common Shares were reserved for issuance under the Plans.

During 1999, 50,119 Common Shares (1998 - NIL; 1997 - NIL) were issued under the Plans for proceeds of \$0.3 million (1998 - \$NIL million; 1997 - \$NIL million).

11. UNITED STATES TAX COURT SETTLEMENT

On March 1, 1999, a settlement was reached involving a dispute between the Company's United States subsidiaries and the Commissioner of Internal Revenue relating to the timing and deductibility for tax purposes of interest attributable to loans owing to related foreign persons during the years from 1986 to 1994. The total net after-tax cash cost to the Company was approximately \$226 million to pay all claims on these issues for these periods. The payment includes approximately \$121 million in taxes together with interest of approximately \$161 million (\$105 million after-tax). This settlement resolves matters in the United States Tax Court (captioned as Laidlaw Transportation, Inc. and Subsidiaries v. Commissioner of Internal Revenue, Docket Nos. 9361-94, 9362-94 and 329-98) relating to the 1986 to 1991 fiscal years as well as claims raised in a Thirty Day Letter relating to 1992 to 1994.

As a result of this settlement, after taking into account amounts already recorded, the Company recorded an unusual income tax charge during the year totalling \$21.0 million (\$0.06 per share).

As of August 31, 1999, the Company has paid \$281.1 million of the total amount owing. The remaining amount was paid in September 1999.

12. RESTRUCTURING CHARGE

During May 1997, the Company merged its hazardous waste services business into Rollins Environmental Services, Inc. ("Rollins"), receiving aggregate consideration of approximately \$1.1 billion. The combined entity was renamed Laidlaw Environmental Services, Inc. (subsequently changed its name to Safety-Kleen Corp. See Note 3).

Upon consummation of the merger, several of the hazardous waste services facilities became redundant or were reconstituted and were valued inappropriately in the context of the combined Rollins/Laidlaw operations. Accordingly, on closing of the transaction, there was a write down of \$331.7 million (\$200.0 million after-tax) to account for these changed circumstances within the newly merged entity. As the Company then held approximately 66.5% of the equity in Safety-Kleen, its share of the write down after income taxes and minority interest, was \$133.0 million or \$0.42 per share.

13. INCOME TAXES

Income (loss) before income taxes and minority interest and provision for (recovery of) income taxes by geographic area are as follows:

Year Ended August 31 (\$ millions)	1999	1998	1997
INCOME (LOSS) BEFORE INCOME TAXES			
United States and foreign			
Before restructuring charge, equity in earnings (loss)			
of associated companies and dilution gain	\$ 323.4	\$318.0	\$ 232.4
Equity in earnings (loss) of associated companies	32.4	(3.0)	3.5
Restructuring charge	—	—	(327.1)
Dilution gain	—	100.7	—
	355.8	415.7	(91.2)
Canada			
Before restructuring charge	(116.9)	(94.9)	(41.4)
Restructuring charge	—	—	(4.6)
	(116.9)	(94.9)	(46.0)
Total			
Before restructuring charge, equity in earnings (loss)			
of associated companies and dilution gain	206.5	223.1	191.0
Equity in earnings (loss) of associated companies	32.4	(3.0)	3.5
Restructuring charge	—	—	(331.7)
Dilution gain	—	100.7	—
	\$ 238.9	\$320.8	\$(137.2)

Year Ended August 31 (\$ millions)	1999	1998	1997
PROVISION FOR (RECOVERY OF) CURRENT INCOME TAXES			
United States and foreign			
Before restructuring charge	\$ 43.7	\$33.8	\$ 25.8
Restructuring charge	—	—	—
	43.7	33.8	25.8
Canada			
Before restructuring charge	(0.3)	1.9	0.7
Restructuring charge	—	—	—
	(0.3)	1.9	0.7
Total			
Before restructuring charge	43.4	35.7	26.5
Restructuring charge	—	—	—
	\$ 43.4	\$35.7	\$ 26.5
PROVISION FOR (RECOVERY OF) DEFERRED INCOME TAXES			
United States and foreign			
Before restructuring charge	\$ 21.6	\$19.2	\$ 17.9
Restructuring charge	—	—	(129.7)
	21.6	19.2	(111.8)
Canada			
Before restructuring charge	(13.4)	(7.7)	(3.7)
Restructuring charge	—	—	(2.0)
	(13.4)	(7.7)	(5.7)
Total			
Before restructuring charge	8.2	11.5	14.2
Restructuring charge	—	—	(131.7)
	\$ 8.2	\$11.5	\$(117.5)
TOTAL PROVISION FOR (RECOVERY OF) INCOME TAXES			
Before restructuring charge	\$ 51.6	\$47.2	\$40.7
Restructuring charge	—	—	(131.7)
	\$ 51.6	\$47.2	\$ (91.0)
The Company's effective income tax rates on income from continuing operations before restructuring charge, equity in earnings (loss) of associated companies and dilution gain are as follows:			
Year Ended August 31	1999	1998	1997
Combined basic Canadian Federal and Provincial income tax rates	44.5 %	44.5 %	43.5 %
Effect of lower tax rates applicable to U.S. and foreign income	(37.5)	(24.4)	(22.8)
Unrecognized current year benefit	13.0	7.7	5.7
Other	5.0	(6.6)	(5.1)
Effective income tax rates	25.0 %	21.2 %	21.3 %

14. EARNINGS (LOSS) PER SHARE

The earnings (loss) per share figures are calculated using the weighted average number of shares outstanding during the respective fiscal years. Assumed exercise of the warrants and employee and directors' stock options would not be dilutive.

Information required to calculate the basic or primary earnings (loss) per share is as follows:

Year Ended August 31 (\$ millions except per share amounts)	1999	1998	1997
Income from continuing operations	\$ 166.3	\$ 268.9	\$ 17.6
Unusual income tax charges (Notes 3 and 11)	26.4	—	—
Restructuring charges (net of tax and minority interest) (Notes 3 and 12)	—	17.7	133.0
Dilution gain (net of tax) (Note 3)	—	(100.7)	—
Income from continuing operations before unusual income tax charges, restructuring charges and dilution gain	192.7	185.9	150.6
Preference share dividends	(0.4)	(0.4)	(0.4)
Income from continuing operations before unusual income tax charges, restructuring charges and dilution gain available to common shareholders	192.3	185.5	150.2
Unusual income tax charges	(26.4)	—	—
Restructuring charges (net of tax and minority interest)	—	(17.7)	(133.0)
Dilution gain (net of tax)	—	100.7	—
Income from continuing operations available to common shareholders	165.9	268.5	17.2
Income (loss) from discontinued operations (Note 2)	(1,285.0)	77.1	592.9
Net income (loss) available to common shareholders	\$ (1,119.1)	\$ 345.6	\$ 610.1
Weighted average number of shares outstanding (millions)	330.2	329.8	317.1
Earnings (loss) per share			
Continuing operations before unusual income tax charges, restructuring charges and dilution gain	\$ 0.58	\$ 0.56	\$ 0.47
Unusual income tax charges	(0.08)	—	—
Restructuring charges (net of tax and minority interest)	—	(0.05)	(0.42)
Dilution gain (net of tax)	—	0.30	—
Continuing operations	0.50	0.81	0.05
Discontinued operations	(3.89)	0.24	1.87
Net income (loss)	\$ (3.39)	\$ 1.05	\$ 1.92

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15. STATEMENT OF CASH FLOWS

Year Ended August 31 (\$ millions)	1999	1998	1997
CASH PROVIDED BY (USED IN) FINANCING WORKING CAPITAL COMPRISES:			
Trade and other accounts receivable	\$ (36.1)	\$ (11.8)	\$ 12.4
Income taxes recoverable	9.8	53.2	(31.1)
Parts and supplies	3.3	7.2	(8.9)
Other current assets	0.7	(7.4)	(4.0)
Accounts payable and accrued liabilities	50.1	(46.4)	(14.5)
	\$ 27.8	\$ (5.2)	\$ (46.1)

16. SALE OF ASSETS

During the year, the Company sold its portfolio investment in Renal Care Group, Inc. on the open market for \$84.0 million. The transactions resulted in a pre-tax gain of \$14.5 million (\$9.4 million after-tax or \$0.03 per share) and were included in interest, dividend and other income.

During fiscal 1998, the Company sold JTM Industries, Inc. to Industrial Quality Services, Inc. The total consideration received by the Company was \$52.3 million, consisting of \$5.8 million in cash, a Promissory Note for \$29.0 million with an interest rate of U.S. prime plus 1.5% (payment received during fiscal 1998) and a 9% Promissory Note for \$17.5 million due October 14, 2005. The transaction resulted in an immaterial loss.

As well, during fiscal 1998, Safety-Kleen sold its municipal solid waste landfill in Carbon County, Utah to Allied. The total consideration received by Safety-Kleen was \$90 million, consisting of \$19 million in cash, assumed debt of approximately \$51 million, a promissory note for \$10 million with interest at 7% due March 1, 2000, and a \$10 million contingency payable due March 1, 2000, upon the satisfaction of certain earnings targets. As well, Safety-Kleen was reimbursed \$14.7 million in cash for trust funds securing obligations of the landfill. The transaction resulted in an immaterial loss.

17. ACQUISITIONS

During the year ended August 31, 1999, the Company purchased seven Education services businesses, and seven Transit & Tour services businesses.

During 1998, the Company purchased nine Education services businesses and seven Transit & Tour services businesses. During 1997, the Company purchased nine Education services businesses, two Transit & Tour services businesses, and two Hazardous Waste services business.

These acquisitions have been accounted for as purchases, and accordingly, these financial statements include the results of operations of the acquired businesses from the dates of acquisition.

The expenditures are summarized as follows:

Year Ended August 31 (\$ millions)	1999	1998	1997
Assets acquired, at fair value			
Property and equipment	\$ 387.6	\$ 79.2	\$ 513.0
Goodwill	484.5	79.4	166.3
Long-term investments and other assets	156.9	11.5	20.2
	1,029.0	170.1	699.5
Liabilities assumed			
Deferred items	(118.0)	(8.6)	(213.7)
Long-term debt	(318.0)	(29.2)	(111.0)
Minority interest introduced	—	—	(173.7)
	593.0	132.3	201.1
Working capital	(59.2)	(44.4)	11.4
Cash expended on acquisitions	\$ 533.8	\$ 87.9	\$ 212.5

Details of the businesses acquired during the year ended August 31, 1999 are as follows: (\$ millions)

	Education Services	Transit & Tour Services		Total
		Greyhound	Other	
Assets acquired, at fair value				
Property and equipment	\$ 9.5	\$ 371.5	\$ 6.6	\$ 387.6
Goodwill	13.0	450.8	20.7	484.5
Long-term investments and other assets	0.5	156.4	—	156.9
	23.0	978.7	27.3	1,029.0
Liabilities assumed				
Deferred items	(4.7)	(106.8)	(6.5)	(118.0)
Long-term debt	—	(315.1)	(2.9)	(318.0)
	18.3	556.8	17.9	593.0
Working capital	(2.0)	(55.3)	(1.9)	(59.2)
Cash expended on acquisitions	\$16.3	\$ 501.5	\$16.0	\$ 533.8

Greyhound, a Transit & Tour services business, was acquired on March 16, 1999.

Pro forma data (unaudited)

Condensed pro forma income statement data, as if acquisitions and divestitures each year had occurred at the beginning of the previous year and as if the investment in Safety-Kleen had been accounted for on an equity basis from September 1, 1997, are as follows:

Year Ended August 31 (\$ millions except per share amounts)	1999	1998
Income statement data		
Revenue	\$2,759.2	\$2,693.1
Income from continuing operations	167.8	273.5
Earnings per share from continuing operations	\$ 0.51	\$ 0.83

18. COMMITMENTS AND CONTINGENCIES

Lease commitments (\$ millions)

Rental expense incurred under operating leases was \$71.0, \$51.0 and \$68.8 in 1999, 1998 and 1997 respectively.

Rentals payable under operating leases for premises and equipment are as follows:

Year Ending August 31, 2000	\$ 87.8
2001	77.8
2002	60.9
2003	63.0
2004	50.7
thereafter	85.8
	<u>\$426.0</u>

Corporate Guarantees

(Refer to Note 3)

Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using dates beyond 1999 is processed. In addition, similar problems may arise in some systems which use certain numeric combinations which coincidentally correspond to dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed prior, the impact on operations and financial reporting may range from minor errors to significant system failures which could affect an entity's ability to conduct normal business operations. The Company has been evaluating the impact of the Year 2000 Issue on its operations. It is engaged in a three-stage process to identify, assess and convert/test all of its computer and operational equipment in advance of the year 2000. Based on the Company's current estimate, the cost of becoming Year 2000 compliant is not expected to have a material adverse impact on the Company's consolidated financial position or results of operations. However, it is not possible to be certain that all aspects of the Year 2000 Issue affecting the Company, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

19. SEGMENTED INFORMATION

The Company has two continuing reportable segments: Education services and Transit & Tour services. The Education services segment provides school bus transportation to municipalities throughout Canada and the United States. The Transit & Tour services segment consists of two operating units. One unit provides intercity and tourism bus transportation throughout North America; the other provides municipal transit bus transportation within the United States.

The Hazardous Waste services segment manages the disposal of hazardous and industrial wastes and provides used oil collection and refining services in Canada and the United States and automotive parts cleaning services throughout Canada and the United States. With the March 1998 acquisition of Safety-Kleen Corp., the segment was prospectively equity accounted and no longer represented a reportable segment (see Note 3).

The Company evaluates performance and allocates resources based on income from operations before amortization. The accounting policies of the reportable segments are the same as those described in Note 1. The Company's reportable segments are business units that offer different services and are each managed separately.

Services

Year Ended August 31 (\$ millions)	1999	1998	1997
Education Services			
Revenue	\$1,327.3	\$1,226.9	\$1,132.9
Income from operations before amortization	185.0	184.2	156.4
Income from operations	162.6	164.3	135.8
Total identifiable assets	1,645.6	1,580.6	1,527.6
Capital expenditures			
- sustenance and expansion (net)	200.4	197.6	113.0
- acquisitions	16.3	22.2	153.3
Depreciation and amortization	158.6	150.1	141.2
Transit & Tour Services			
Revenue	\$ 935.2	\$ 444.0	\$ 250.4
Income from operations before amortization	83.4	35.4	17.9
Income from operations	71.0	31.7	15.8
Total identifiable assets	1,401.4	348.1	229.4
Capital expenditures			
- sustenance and expansion (net)	63.5	31.4	26.1
- acquisitions	517.5	65.7	58.9
Depreciation and amortization	49.8	20.2	13.8
Hazardous Waste Services			
Revenue	\$ -	\$ 384.8	\$ 710.0
Income (loss) from operations before amortization*	-	52.8	(260.8)
Income (loss) from operations*	-	51.6	(264.0)
Total identifiable assets	-	-	1,547.3
Capital expenditures			
- sustenance and expansion (net)	-	15.2	44.8
- acquisitions	-	-	0.3
Depreciation and amortization	-	24.8	54.9

The 1998 results of the hazardous waste services segment are for the six months ended February 28, 1998 (Note 3).

* Including a restructuring charge of \$331.7 million in 1997 (Note 12).

Geographic

Year Ended August 31 (\$ millions)	1999	1998	1997
United States			
Revenue	\$1,972.4	\$1,710.5	\$1,799.3
Income (loss) from operations before amortization*	236.2	224.2	(131.4)
Income (loss) from operations*	205.7	204.1	(152.9)
Total identifiable assets	2,614.6	1,544.5	2,790.6
Canada			
Revenue	\$ 290.1	\$ 345.2	\$ 294.0
Income from operations before amortization**	32.2	48.2	44.9
Income from operations**	27.9	43.5	40.5
Total identifiable assets	432.4	384.2	513.7

* Including a restructuring charge of \$327.1 million in 1997 (Note 12).

** Including a restructuring charge of \$4.6 million in 1997 (Note 12).

Consolidated

Year Ended August 31 (\$ millions)	1999	1998	1997
Revenue	\$2,262.5	\$2,055.7	\$2,093.3
Income from operations before amortization*	268.4	272.4	245.2
Amortization expense	34.8	24.8	25.9
Income from operations*	233.6	247.6	219.3
Restructuring charge (Note 12)	—	—	(331.7)
Interest expense net of interest, dividend and other income	(27.1)	(24.5)	(28.3)
Equity earnings (loss)	32.4	(3.0)	3.5
Dilution gain (Note 3)	—	100.7	—
Income tax recovery (expense) (Note 13)	(51.6)	(47.2)	91.0
Minority interest	—	(4.7)	63.8
Unusual income tax charge (Note 11)	(21.0)	—	—
Income from continuing operations	\$ 166.3	\$ 268.9	\$ 17.6
Total identifiable assets of segments	\$3,047.0	\$1,928.7	\$3,304.3
Assets of discontinued operations (Note 2)	1,617.2	2,791.5	2,144.6
Corporate assets	1,090.1	1,282.7	484.9
Total assets	\$5,754.3	\$6,002.9	\$5,933.8
Capital expenditures			
- sustenance and expansion (net)	\$ 268.7	\$ 249.6	\$ 185.6
- acquisitions	533.8	87.9	212.5
Depreciation and amortization	208.4	195.1	209.9

* Excluding a restructuring charge of \$331.7 million in 1997 (Note 12).

20. CANADIAN AND UNITED STATES ACCOUNTING PRINCIPLES

These consolidated financial statements have been prepared in accordance with Canadian GAAP which conform in all material respects with U.S. GAAP, except as follows:

(1) Comprehensive income

U.S. GAAP requires that a comprehensive income statement be prepared. Comprehensive income is defined as: "the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. It includes all changes in equity during a period, except those resulting from investments by owners and distributions to owners." The comprehensive income statement reconciles the reported net income to the comprehensive income amount.

The following is the comprehensive income statement (prepared in accordance with U.S. GAAP) which, under U.S. GAAP, would have the same prominence as the other financial statements:

Year Ended August 31 (\$ millions)	1999	1998	1997
Net income (loss)	\$(1,118.7)	\$346.0	\$610.5
Other Comprehensive income (loss), net of tax:			
Unrealized gains (losses) on securities:			
Unrealized holding gains arising during the period (net of \$5.8 in taxes; 1998 - \$0.8; 1997 - NIL)	10.8	3.0	3.1
Less: reclassification adjustments for gains included in net income (net of \$5.0 in taxes; 1998 - NIL; 1997 - NIL)	(9.3)	(4.3)	(5.6)
	1.5	(1.3)	(2.5)
Foreign currency translation adjustments:			
Foreign currency translation adjustments arising during the period (taxes - NIL; 1998 - NIL; 1997 - NIL)	3.7	(5.8)	13.7
Less: foreign currency translation adjustments relating to the dilution in ownership of Safety-Kleen Corp. (taxes 1998 - NIL)	—	(2.7)	—
Less: foreign currency translation adjustments relating to the sale of the solid waste service segment (taxes 1997 - NIL)	—	—	(16.7)
	3.7	(8.5)	(3.0)
Other comprehensive income (loss)	5.2	(9.8)	(5.5)
Comprehensive income (loss)	\$(1,113.5)	\$336.2	\$605.0

Under U.S. GAAP, available-for-sale securities are to be reported at their fair values, with unrealized gains or losses reported in a separate component of shareholders' equity along with the cumulative foreign currency translation adjustments. This separate component would be reported under the caption "Accumulated other comprehensive loss". As a result, the following shareholders' equity would be reported under U.S. GAAP:

Year Ended August 31 (\$ millions)	1999	1998
Preference Shares	\$ 8.0	\$ 8.4
Common Shares; issued and outstanding 330,209,655 (August 31, 1998 - 330,156,836)	2,246.8	2,246.5
Accumulated other comprehensive loss	(168.2)	(173.4)
Retained earnings (deficit)	(173.3)	1,007.1
Total shareholders' equity	\$1,913.3	\$3,088.6

Accumulated other comprehensive loss is comprised of the following:

	Foreign Currency items		Unrealized Gain (Loss) on Securities		Accumulated Other Comprehensive Loss	
Year Ended August 31 (\$ millions)	1999	1998	1999	1998	1999	1998
Beginning balance	\$(172.1)	\$(166.3)	\$(1.3)	\$ -	\$(173.4)	\$(166.3)
Current period change	3.7	(5.8)	1.5	(1.3)	5.2	(7.1)
Ending balance	\$(168.4)	\$(172.1)	\$ 0.2	\$(1.3)	\$(168.2)	\$(173.4)

In addition, under U.S. GAAP, long-term investments - other would increase by \$0.2 million as at August 31, 1999 and decrease by \$2.1 million as at August 31, 1998. The deferred income tax asset would increase by \$0.8 million as at August 1999.

(2) Stock-based compensation

Effective January 1, 1996, Financial Accounting Standards Board Statement No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123") encourages, but does not require, companies to include in compensation costs the fair value of stock options granted. The Company has decided not to adopt the fair-value method. A company that does not adopt this new method must disclose pro forma net income and earnings per share giving effect to the method of compensation cost described in SFAS 123.

The Company's stock option plan is described in Note 10. Stock options granted by the Company in 1999, (i) were granted at exercise prices equal to or greater than the value of stock on the grant date, (ii) vest 20% per year from the date of grant to 2004; and (iii) expire ten years subsequent to the grant date.

The fair value of the options granted during 1999 was estimated using the Black-Scholes option-pricing model with the assumptions of a dividend yield of 0%, an expected volatility of 39%, a risk-free interest rate of 6.04%, and an expected life of five years.

The total value of 4,169,750 stock options that were granted, net of terminated options, by the Company during 1999 was \$6.1 million (during 1998, 2,308,000 stock options were granted, net of terminated options, with a total value \$8.7 million; during 1997, 1,697,000 stock options were granted, net of terminated options, with a total value of \$6.0 million). Of this total amount, under SFAS 123, the cost of stock compensation expense for the year ended August 31, 1999 would be \$4.4 million (1998 - \$2.9 million; 1997 - \$1.3 million). The unrecognized value of \$15.9 million would be charged to net income in future years according to the vesting terms of the options. The resulting pro forma net loss and loss per share for the year ended August 31, 1999 under SFAS 123 are \$1,123.1 million and \$3.40, respectively (1998 - net income of \$343.1 million and earnings per share of \$1.04; 1997 - net income of \$609.2 million and earnings per share of \$1.92).

The effects of applying SFAS 123 in this pro forma disclosure are not indicative of future amounts. The Company's adoptions of SFAS 123 for pro forma disclosure purposes does not apply to awards prior to 1996, and additional awards in future years are anticipated.

(3) Recent accounting developments

In June 1998, the Financial Accounting Standards Board ("FASB") issued SFAS No. 133 "Accounting of Derivative Instruments and Hedging Activities." SFAS 133 requires that all derivative instruments be recorded on the balance sheet at their fair value. Changes in fair value of the derivatives are recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction, and if it is, the type of hedge transaction. The impact on the Company's consolidated results of operations, financial position or cash flow will be dependent on the level and types of derivatives instruments the Company will have entered into at the time SFAS 133 is implemented.

In June 1999, FASB issued SFAS 137 to defer the effective date of SFAS No. 133 to all fiscal quarters of all fiscal years beginning after June 15, 2000. As a result, the standard will be adopted by the Company in its interim period ended November 30, 2000.

(4) Accounting developments implemented during the fiscal period

In June 1997, the FASB issued SFAS No. 131 "Disclosures about Segments of an Enterprise and Related Information." This standard is effective for fiscal periods beginning after December 15, 1997 and has been adopted. SFAS No. 131 requires that the Company present the segmented information (Note 19) using a new approach referred to as the management approach. The management approach requires segmented information to be reported based on how management internally evaluates the operating performance of its business segments. The Company presented the following segments in the segmented information note: The Passenger services segment was divided into the Education services segment and the Transit & Tour services segment. The Healthcare services segment was divided into the Ambulance services segment and the ED Management services segment (both subsequently discontinued - see Note 2). The implementation of this standard had no effect on the Company's consolidated results of operations, financial position or cash flows. Restatement of disclosure relating to the prior periods has also been presented.

21. QUARTERLY FINANCIAL INFORMATION

(unaudited)

(\$ millions except per share amounts)	1st	2nd	3rd	4th	Total
Revenue					
- 1999	\$510.8	\$463.5	\$715.8	\$ 572.4	\$ 2,262.5
- 1998	688.2	615.0	486.6	265.9	2,055.7
Income (loss) from operations					
- 1999	77.1	45.5	79.5	31.5	233.6
- 1998	105.9	71.0	74.9	(4.2)	247.6
Income from continuing operations before unusual income tax charges, restructuring charges and dilution gain (Notes 3, 11 and 12)					
- 1999	75.6	39.6	60.5	17.0	192.7
- 1998	64.8	40.7	69.2	11.2	185.9
Unusual income tax charges					
- 1999	-	(21.0)	-	(5.4)	(26.4)
- 1998	-	-	-	-	-
Restructuring charges (net of tax and minority interest)					
- 1999	-	-	-	-	-
- 1998	-	-	(17.7)	-	(17.7)
Dilution gain (net of tax)					
- 1999	-	-	-	-	-
- 1998	-	-	100.7	-	100.7
Income from continuing operations					
- 1999	75.6	18.6	60.5	11.6	166.3
- 1998	64.8	40.7	152.2	11.2	268.9
Income (loss) from discontinued operations (Note 2)					
- 1999	9.7	(0.7)	(287.7)	(1,006.3)	(1,285.0)
- 1998	17.2	28.4	15.8	15.7	77.1
Net income (loss)					
- 1999	85.3	17.9	(227.2)	(994.7)	(1,118.7)
- 1998	82.0	69.1	168.0	26.9	346.0
Earnings (loss) per share (Note 14) -					
Income from continuing operations before unusual income tax charges, restructuring charges and dilution gain					
- 1999	\$ 0.23	\$ 0.12	\$ 0.18	\$ 0.05	\$ 0.58
- 1998	0.20	0.12	0.21	0.03	0.56
Income from continuing operations					
- 1999	0.23	0.06	0.18	0.03	0.50
- 1998	0.20	0.12	0.46	0.03	0.81
Discontinued operations					
- 1999	0.03	(0.01)	(0.87)	(3.04)	(3.89)
- 1998	0.05	0.09	0.05	0.05	0.24
Net income (loss)					
- 1999	0.26	0.05	(0.69)	(3.01)	(3.39)
- 1998	0.25	0.21	0.51	0.08	1.05

SELECTED FINANCIAL INFORMATION

The Company's Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in Canada ("Canadian GAAP"). These consolidated financial statements conform, in all material respects, with accounting principles generally accepted in the United States ("U.S. GAAP"), except as indicated in Note 20 of Notes to Consolidated Financial Statements.

Year Ended August 31 (U.S. \$ millions except per share amounts)	1999	1998	1997	1996	1995
INCOME STATEMENT DATA UNDER CANADIAN GAAP					
Revenue	\$ 2,262.5	\$ 2,055.7	\$ 2,093.3	\$ 1,831.7	\$ 1,516.1
Income from operations before restructuring charge	233.6	247.6	219.3	177.5	155.2
Income from continuing operations before unusual income tax charges, restructuring charges and dilution gain	192.7	185.9	150.6	90.6	65.8
Income from continuing operations	166.3	268.9	17.6	90.6	65.8
Income (loss) from discontinued operations	(1,285.0)	77.1	592.9	71.2	67.0
Net income (loss)	(1,118.7)	346.0	610.5	161.8	132.8
Earnings per share from continuing operations before unusual income tax charges, restructuring charges and dilution gain	0.58	0.56	0.47	0.31	0.24
Earnings per share from continuing operations	0.50	0.81	0.05	0.31	0.24
Earnings (loss) per share from discontinued operations	(3.89)	0.24	1.87	0.24	0.24
Earnings (loss) per share	(3.39)	1.05	1.92	0.55	0.48
Dividends per Common Share	0.186	0.180	0.146	0.139	0.116
Average number of Common Shares (millions)	330.2	329.8	317.1	293.2	277.2
APPROXIMATE AMOUNTS UNDER U.S. GAAP					
Income from continuing operations	\$ 166.3	\$ 268.9	\$ 17.6	\$ 90.6	\$ 65.8
Income (loss) from discontinued operations	(1,285.0)	77.1	592.9	71.2	67.0
Net income (loss)	(1,118.7)	346.0	610.5	161.8	132.8
Earnings per share from continuing operations	0.50	0.81	0.05	0.31	0.24
Earnings (loss) per share from discontinued operations	(3.89)	0.24	1.87	0.24	0.24
Earnings (loss) per share	(3.39)	1.05	1.92	0.55	0.48
BALANCE SHEET DATA (AT END OF YEAR) UNDER CANADIAN GAAP					
Working capital	\$ 78.1	\$ 15.2	\$ 291.1	\$ 159.2	\$ 112.9
Property and equipment, net	1,480.1	1,006.8	2,059.6	1,859.0	1,605.9
Net assets of discontinued operations	1,617.2	2,791.5	2,144.6	1,484.0	996.1
Total assets	5,754.3	6,002.9	5,933.8	4,801.9	4,107.5
Long-term debt (including ADT-Linked Debentures)	3,113.3	2,290.0	2,166.5	1,984.7	1,727.0
Shareholders' equity	1,913.1	3,089.9	2,794.0	2,136.8	1,697.4
OTHER DATA					
Operating margin	10.3%	12.0%	10.5%	9.7%	10.2%
Pre-tax margin *	10.6	11.6	9.3	6.2	5.7
After-tax margin *	8.5	9.0	7.2	4.9	4.4
Return on average common shareholders' equity *	6.6	6.3	5.9	4.7	4.0
Return on net assets employed in operations *	10.2	8.9	7.7	8.1	8.1
Long-term debt/capital	59.1	41.3	40.4	45.6	46.5
Long-term debt/equity	162.7	74.1	77.5	92.9	101.7

* From continuing operations before unusual income tax charges, restructuring charges and dilution gain.

The following table sets forth, for the periods and dates indicated, certain information concerning the Canadian dollar exchange rate for translating United States dollars based on the noon buying rate in New York City for cable transfers payable in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York.

Year Ended August 31	1999	1998	1997	1996	1995
High	Cdn. \$1.5432	Cdn. \$1.5745	Cdn. \$1.3971	Cdn. \$1.3747	Cdn. \$1.3820
Low	1.4578	1.3824	1.3409	1.3401	1.3410
Average	1.5087	1.4410	1.3699	1.3623	1.3754
End of year	1.4965	1.5745	1.3890	1.3685	1.3432

On October 13, 1999, the noon buying rate in New York City for the U.S. dollar, as reported by the Federal Reserve Bank of New York, was Cdn. \$1.4815.

STOCK MARKET INFORMATION

The Company's Common Shares are listed on the Montreal Exchange, The Toronto Stock Exchange and the New York Stock Exchange.

The following table sets forth the reported high and low sales prices, in Canadian dollars, for the Common Shares on The Toronto Stock Exchange for the periods indicated.

	Common Shares	
1998 FISCAL YEAR	High	Low
First Quarter	\$22.50	\$18.05
Second Quarter	21.55	18.30
Third Quarter	23.40	18.10
Fourth Quarter	18.75	13.60
1999 FISCAL YEAR	High	Low
First Quarter	\$16.35	\$13.50
Second Quarter	15.75	11.30
Third Quarter	11.15	8.75
Fourth Quarter	11.35	9.05

The following table sets forth the reported high and low sales prices, in U.S. dollars, for the Common Shares on the New York Stock Exchange for the periods indicated.

	Common Shares	
1998 FISCAL YEAR	High	Low
First Quarter	\$16.25	\$12.63
Second Quarter	15.06	12.81
Third Quarter	16.63	12.38
Fourth Quarter	12.88	8.81
1999 FISCAL YEAR	High	Low
First Quarter	\$10.56	\$8.75
Second Quarter	10.31	7.63
Third Quarter	7.69	5.75
Fourth Quarter	7.63	6.06

As of September 30, 1999, there were 4,969 holders of record of Common Shares.

The Company has paid cash dividends every year since 1969. A cash dividend of \$0.05 Canadian per share was paid on November 15, 1997. Cash dividends of \$0.07 Canadian per share were paid on each of February 15, 1998, May 15, 1998, August 15, 1998, November 15, 1998, February 15, 1999, May 15, 1999 and August 15, 1999. A cash dividend of \$0.07 Canadian per share has been declared payable on November 15, 1999.

Holders of record of shares with U.S. addresses will receive dividends in U.S. dollars based on the then current exchange rate. Dividends paid to non-residents of Canada will be subject to Canadian non-resident withholding tax at the rate of 25% unless reduced by an applicable tax treaty. The present treaty reduced rate for U.S. residents is generally 15%. A holder who is not resident in Canada will not be subject to Canadian capital gains taxes on the disposition of shares unless it is taxable Canadian property within the meaning of the income Tax Act of Canada and the non-resident is not entitled to relief under an applicable tax treaty.

CORPORATE INFORMATION

OFFICERS

Peter N.T. Widdrington
Chairman of the Board

James R. Bullock
President and Chief Executive Officer

John R. Grainger
Executive Vice-President and
Chief Operating Officer

Ivan R. Cairns
Senior Vice-President and General Counsel
and Secretary

Leslie W. Haworth
Senior Vice-President and
Chief Financial Officer

Wayne R. Bishop
Vice-President, Controller

Jeffrey Cassell
Vice-President, Risk Management

D. Geoffrey Mann
Vice-President, Treasurer

William R. Schilling
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Thomas A.G. Watson
Vice-President, Communications

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Leonard M. Riggs Jr., M.D.
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Laidlaw Transit & Tour Services
Craig R. Lentzsch
President and Chief Executive Officer

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