Laidlaw Inc.

1994 Annual Report

LAIDLAW

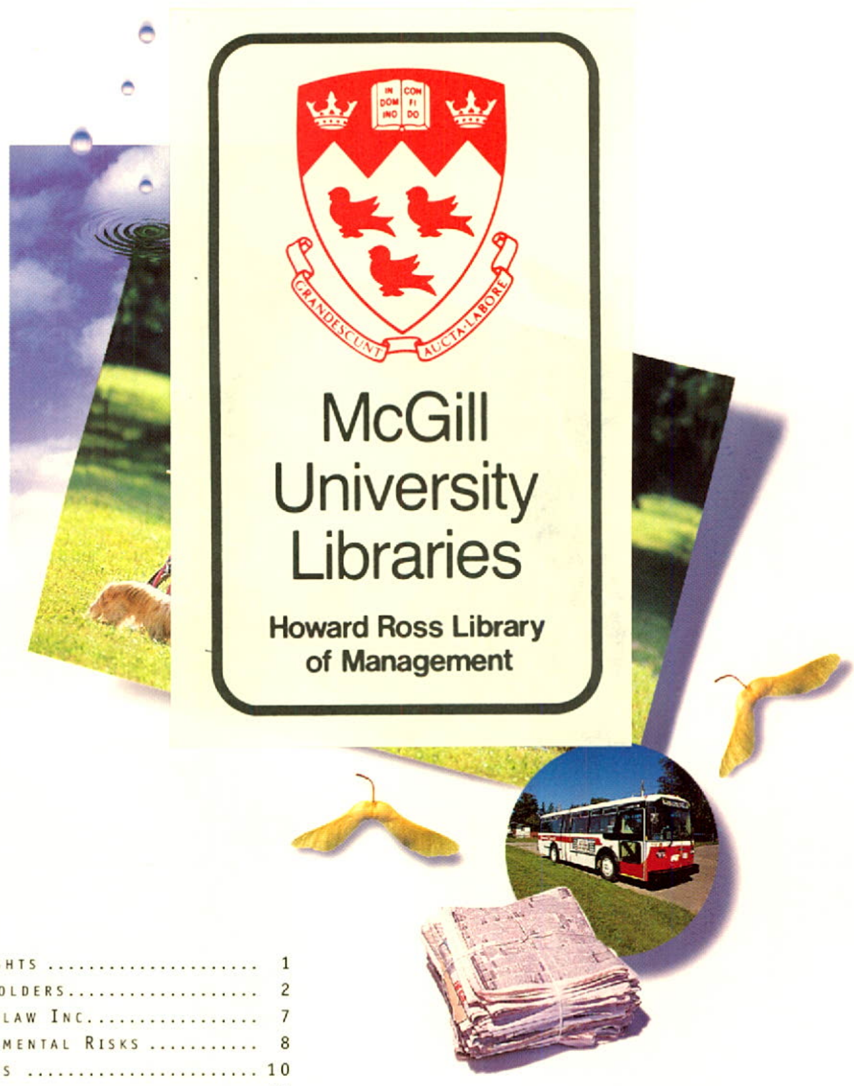
Laidlaw Inc. is recognized as a North American leader in serving governments, industry, commerce and individuals with transportation and environmental management services. The Company employs 40,000 people and is organized into three operating entities providing services to customers in Canada, the United States and Mexico.

Laidlaw Transit provides contract school busing, healthcare transportation and public transit system management to school boards, hospitals, insurers and municipal administrations. The group provided 41 percent of Laidlaw's consolidated revenue in fiscal 1994.

Laidlaw Waste Systems provides a series of solid waste and recyclables management services for municipal, commercial, industrial and institutional customers. Services range from collection and materials recovery through resources marketing, the operation of energy-from-waste systems and landfilling. Waste Systems accounted for 35 percent of revenue.

Laidlaw Environmental Services specializes in the collection, treatment, recycling, incineration and secure landfilling of hazardous waste produced by industries, institutions and individuals. Environmental Services generated 24 percent of revenue.

Laidlaw's shares are traded on the Toronto, New York and Montreal stock exchanges.



CONTENTS

ANNUAL MEETING

Laidlaw Inc.'s Annual Meeting will be held January 11, 1995 at 11:00 a.m., at the Royal York Hotel, Ballroom, 100 Front Street West, Toronto, Ontario, Canada.

Year Ended August 31 (U.S. $ millions except per share amounts)	1994	1993	% Change
Revenue	**$2,128.3**	$1,993.3	6.8
Income*	**101.8**	95.1	7.0
Cash from operations	**370.5**	354.4	4.5
Per share:			
Income*	**0.37**	0.34	8.8
Dividends ($ Cdn)	**0.16**	0.16	—
August 31			
Working capital	**221.8**	246.4	(10.0)
Long-term debt	**1,403.2**	1,377.1	1.9
Shareholders' equity	**1,585.9**	1,553.3	2.1
Debt/equity ratio	**0.88:1**	0.89:1	N/A
Average shares outstanding (millions)	**277.2**	277.2	—

**Before equity in earnings of ADT Limited, special and non-recurring charges and unusual items (note 13).*

[Ivan Cairns, senior vice-president and general counsel; Jim Bullock, president and CEO; Les Haworth, senior vice-president and CFO]

Our FOCUS *on our strong core businesses is renewed. We are set for a period of* SUSTAINED GROWTH *and expansion.*

REFOCUS
RENEWED GROWTH

I AM PLEASED TO REPORT THAT LAIDLAW'S 1994 FISCAL YEAR ended August 31, was a year of significant progress in our drive to refocus the Company on its core operations in North America. We monetized or sold our non-core equity investments including our European operations and rapidly expanded our exciting new healthcare transportation business. Our renewed focus delivered a rebound in overall operating profit margins during the second half of the year and solidly positioned us to continue to improve profitability in 1995.

Revenue for the year ended August 31, 1994 increased 7% to $2,128.3 million from $1,993.3 million in the previous fiscal year. Income from operations increased 10% to $224.2 million from $203.7 million (before special charges). Net income for fiscal 1994 was $90.8 million ($0.33 per share) compared with a 1993 loss of $291.6 million ($1.05 per share). These amounts are after unusual items in 1994 of $16.7 million, and in 1993, after special and non-recurring charges of $225.5 million before tax ($169.9 million after tax) and unusual items of $243.8 million.

Before the unusual and special items, income was $107.5 million compared with $122.1 million in the previous year which was equivalent in earnings per share to $0.39 in 1994 and $0.44 in 1993. This decline was attributable to the exclusion of equity income in ADT effected December 1, 1993 with the monetization of the Company's ADT investment completed in January 1994. Income before the special and unusual items and without the equity contributions recorded from ADT increased to $101.8 million from $95.1 million in the previous year, equivalent to earnings per share of $0.37 and $0.34, respectively, an increase of 9%.

During fiscal 1994, I emphasized the need for Laidlaw to pursue a sharpened focus on its three core businesses in North America and I remain convinced these businesses, with their strong market positions, represent our best opportunities to grow Laidlaw and enhance shareholder value. I would like to briefly report to you on the progress we have made in each of our businesses this year.

Solid Waste Services

You will no doubt recall that we commenced a major restructuring of our solid waste services business and assets during the third and fourth quarters of fiscal 1993. The restructuring included a comprehensive revaluation of our business and unfortunately involved major write-offs at the end of last year. We identified a number of markets in which we were poorly positioned with little prospect for improvement and undertook the divestiture of these assets. As a result, our divestiture of assets and departure from 12 markets, which we completed in February 1994, reduced 1994 revenues by $36 million but has had a major positive impact on our operating margins which increased to 11.2% from 8.0% in the previous year. It's especially encouraging that our margin improvements were most pronounced in the second half of the year increasing to 12.1% from 7.4%. It also must be remembered that our Canadian operating results were negatively impacted some 6.6% by the decline in the average value of the Canadian dollar in U.S. dollar terms.

During the year we consistently achieved better productivity, improved results, and benefited from stronger market conditions in the United States. The Canadian market was disappointing for most of fiscal 1994 however, it stabilized and turned positive in the final quarter of the year – a good sign for the year ahead.

Coming off a year of both restructuring and improving results, our solid waste services group will continue to grow in the year ahead through stepped-up acquisition activity as well as expansion of its operations more strongly focused on key market positions.

Hazardous Waste Services

The hazardous waste industry in North America faces a challenging marketplace with reduced volumes, predatory pricing and a lack of progress on federally funded Superfund clean-up projects in the United States. Nevertheless, Laidlaw's Hazardous Waste Services group performed reasonably well in most markets. The strength of our overall performance was disguised by the continuing difficulties at the Company's landfill in Pinewood, South Carolina which started in the fourth quarter of fiscal 1993. Pinewood suffered year-over-year declines in revenue of $18 million and in income of $14 million. We continue to vigorously pursue legal recourse to remove what we believe are unwarranted regulatory restrictions on the operation. For the foreseeable future Pinewood will continue to achieve reduced revenues and in all probability only breakeven results in 1995.

The majority of our hazardous waste operations achieved good growth with revenue and income from operations – up 5% and 19% respectively. Laidlaw's network of service center and complementary treatment facilities gives us the resources to remain a leader in this consolidating industry. We expect to continue to achieve improving results in 1995 despite market difficulties.

U.S. Pollution Control Industries, Inc.

At the end of October 1994, we announced our intention to purchase U.S. Pollution Control Industries, Inc., (USPCI) a major hazardous waste service company in the United States. The acquisition is valued at $225 million. As a result of this acquisition, annualized revenue for our hazardous waste group will increase to approximately $800 million.

USPCI will provide a substantial increase in our ability to serve our customers with expanded landfill capacity, PCB treatment, fuel blending and recycling. A new rotary kiln, used in the destruction of solid hazardous waste is expected to be operational mid-year 1995, allowing us to internalize costs of previous third-party disposal of these types of wastes and provide us with the capacity to capture increased volumes from additional customers.

The addition of these assets, complements our existing network and makes our hazardous waste business, the largest in North America. The acquisition is expected to close in January following approvals of various regulatory agencies.

Passenger Services

Our school bus, transit, and newly started healthcare transportation segment had a very active year. Overall revenue grew from $725 million to $860 million, fuelled mostly by growth from $60 million to $180 million of annualized revenue in our healthcare transportation. We acquired 19 healthcare transportation companies during the year and anticipate continuing this pace of growth in 1995. We have been fortunate to both retain at acquisition and otherwise put in place a strong management team to lead our profitable entry and growth in the healthcare transportation services field. I am pleased with the successful integration we have achieved for these many businesses and the people who run them.

The core student passenger and municipal transit services also expanded this year overcoming a variety of obstacles including an unusually severe winter climate and a major earthquake in California. In addition to acquisitions of other school bus operators, our growth will begin to accelerate from bidding new contracts particularly in those states where private contracting is just starting to appear such as Texas and Louisiana.

Fiscal 1995 should conclude with our Passenger Services Group rapidly approaching $1.0 billion in revenue.

Equity Interests

At the outset of my report, I mentioned the progress we've made in addressing our equity investments in ADT Limited and Attwoods plc. as well as our withdrawal from and sale of our European market presence. In January 1994, Laidlaw issued its ADT-linked debentures whereby we received $280 million which can be repaid at the maturity of the debentures in January 1999 with the Company's ADT shares, Laidlaw B shares or cash or any combination of these. In essence, our debentures monetized Laidlaw's investment in ADT allowing us to redeploy our ADT investment in our core activities. ADT is no longer a preoccupation with Laidlaw's management and should we not find a suitable buyer for our ADT stock between now and January 1999, in all likelihood we will exercise our right to repay the debenture holders with our ADT stock.

In September 1994, we announced we had entered into an option to sell our interest in Attwoods to Browning-Ferris Industries, Inc. (BFI) for £132.3 million or about $213 million. Some parts of Attwoods' U.S. waste services would be complementary to Laidlaw's existing business, but they are a relatively small part of Attwoods and by far the majority of Attwoods' operations do not fit into Laidlaw's strategic North American focus. While the BFI offer is still conditional and is being opposed by Attwoods, we believe the offer is attractive in terms of realistically representing Attwoods' present value and future prospects. The offer should succeed. Accordingly the carrying value of Laidlaw's investment in Attwoods as at August 31 was written-down to the value of the expected net proceeds from the disposition. This action resulted in a loss of $27.5 million as an unusual item in fiscal 1994.

Effective August 31, 1994 we sold our investment in an Italian water engineering business to United States Filter Corporation for $42 million payable in convertible debentures. Other European activities, except for a landfill near Milan, Italy, which has about 18 months capacity remaining, were also sold or closed during fiscal 1994. These transactions realized a net gain of $10.8 million which was recorded as part of the unusual item in fiscal 1994.

Financial Strength

Laidlaw's businesses continue to provide healthy levels of cash flow. Cash flow from operating activities was $370.5 million, an increase of 4.5% over the previous year's $354.4 million and represented $1.34 versus $1.28 per share. At these levels, the cash flow is more than adequate to cover capital expenditures to support existing and expanding service levels as well as a healthy program for normal-course acquisitions of new businesses. Laidlaw has lines of credit exceeding $1 billion of which $578 million was unused at year end. As of August 31, 1994, the Company's long-term debt stood at $1.4 billion gross before consideration of $200 million in cash and cash equivalents and $582 million invested in the non-core businesses, ADT and Attwoods. Equity of $1.6 billion and working capital at $221.8 million are quite adequate for the Company's current business plans.

During the past year, your senior management, was supported by the active involvement and guidance of the Board of Directors, for which I am grateful. In January, we experienced the untimely passing from illness of Mervyn Lahn, a long-serving and most productive member of our Board. He will be sorely missed by all of us at Laidlaw. Joining our Board this past year were four new directors, William Farlinger, Peter Kingsmill, Gordon Ritchie and Stella Thompson.

Laidlaw will continue to grow and improve profitability. To do so, it requires a continued commitment to providing high service levels to our thousands of customers. I thank all of the 40,000 men and women who work at Laidlaw for their outstanding efforts this past year.

In conclusion, our exit from Europe and the disposition of non-strategic assets is charted; our focus on our strong core businesses is renewed and we are set for a period of sustained growth and expansion. Growth and expansion cannot simply mean larger revenues or increased business activities but must also include continuing improvement in profitability for you, our shareholders.

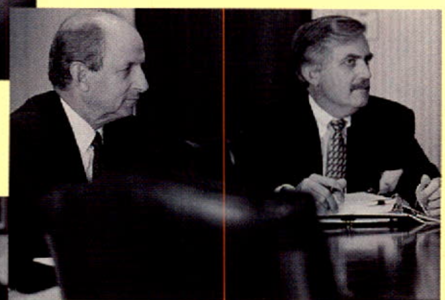
Yours very truly,

James R. Bullock

President and Chief Executive Officer

Peter N.T. Widdrington,
James F. Hankinson,
William P. Cooper

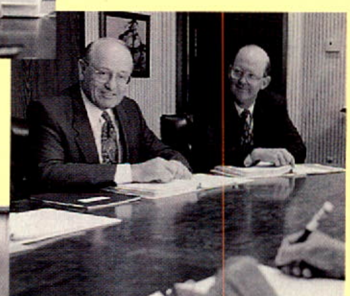
Stella M. Thompson



William W. Stinson,
Ronald K. Gamey

James R. Bullock

Ardagh S. Kingsmill



William A. Farlinger,
Gordon Ritchie

Donald M. Green

[Don Ridsdill, vice-president, maintenance, Laidlaw Transit; Don Schwieg, vice-president, technology, Laidlaw Inc.; Roger Davis, vice-president, engineering and regulatory affairs, Laidlaw Environmental Services; Ron Poland, vice-president, environmental management, Laidlaw Waste Systems]

[lower right, Kent Hope, operations supervisor, Adrian Ewan and Earl Alexander, process operators, paint recycling]

Waste management is the second most regulated industry in North America. Laidlaw has created an ENVIRONMENTAL INFRASTRUCTURE *throughout all its operations that is practical,* PROTECTIVE *and cost effective.*

PROTECTION
INTEGRITY

BY POLICY, LAIDLAW IS COMMITTED TO OPERATING ITS BUSINESSES in ways that are protective of human health and the environment. We do so in the interests of our employees, customers and the communities of which we are a part. Throughout Laidlaw, some 78 professional and technical staff are responsible for running our multi-part environmental management programs.

These programs test the integrity of our facilities, sites and processes by auditing them – using internal teams and external experts – against legislated and internally developed standards. Any deficiencies are documented, remedial actions are designed and their implementation is tracked. Progress reporting to senior management and, quarterly updates to our Board of Directors assure continuous improvement at our 600 locations.

Regulations change; science and technology continually offer new possibilities. Customer expectations shift while public perception of risk intensifies. In managing this mix, of often competing demands, our programs – and the procedure manuals which drive them – were revised and our audit teams – retrained during 1994.

Managing to a standard which "surpasses our legal responsibility" has competitive advantages. Laidlaw's Process Hazard Analysis, in place for several years, is a systematic engineering review used to determine what could go wrong – and how to prevent it – in 'technically complex' waste management processes. It is applied to all new capital projects, acquisitions and to existing facilities. Occupational health and safety legislation in the United States now requires this type of hazard analysis to be applied to all plants processing a threshold volume of certain chemicals. Laidlaw's experience allowed us to exceed the new standard quickly and cost effectively.

Paradoxically, the style of written regulations often makes them unintelligible to those whose responsibility it is to implement them. The U.S. Environmental Protection Agency's new solid waste landfill regulations created the opportunity to bring together Laidlaw's compliance, operations and management people to design a comprehensive, user-friendly procedures manual. Thus, a new set of internal standards has been created, once again extending our in-place environmental policy.

Donald L. Schwieg
Vice-President, Technology

[John Grainger, president and COO and senior vice-presidents: Howard Wallack, west coast and transit services; Bob Hach, midwest and Canadian operations; Denis Gallagher, east coast; David White, healthcare transportation; and Bob Jarrett, vice-president, financial operations]

[lower right, Annie Timms, paramedic, healthcare transportation]

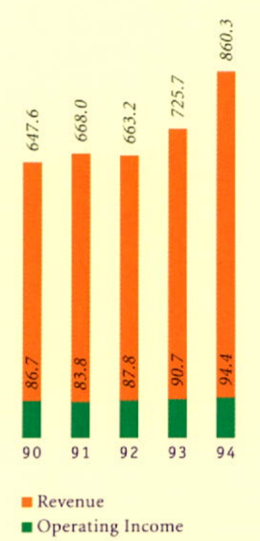
Laidlaw Passenger Services Group will achieve its GROWTH *goals by improving the profitability of existing operations, aggressively pursuing new business opportunities and focusing on* SAFETY *– a cornerstone of all its businesses.*

SAFETY LEADERSHIP

LAIDLAW TRANSIT HAS THREE MAJOR "PRODUCT" LINES providing its growth opportunities – contract school busing, healthcare transportation and public transit services.

Laidlaw is the largest school bus contractor in North America, safely carrying more than one million children to and from school each day. During fiscal 1994, we expanded our fleet by nearly 1,100 vehicles through acquisition and we entered new markets in the Southeast, Midwest and Southwest U.S. Successful conversion of 14 publicly operated school bus systems to private sector management enhanced our position in states like Texas and Ohio, and we will continue to be an industry leader in these privatization efforts. Revenue was enhanced by several contracts during the summer, with charter buses provided for special events such as the World Cup, the U.S. Open Golf tournament and the Woodstock Music Festival. A sophisticated, safety-focused bus driver selection process has been adopted. It enables us to further improve driver quality and maintain our position as an industry leader in safe student transport.

Revenue and Operating Income
($ millions)



We have quickly grown to be the second-largest service provider in the rapidly consolidating U.S. healthcare transportation industry, since entering the business in June 1993. We completed 19 acquisitions during the year and now provide more than 800,000 patient transports annually. We employ nearly 4,000 caregivers and support staff, each dedicated to high-quality patient care, at 32 locations in 13 states.

We continue to serve the public in 34 cities and towns across North America with high-quality municipal transit service. Growing in 1994, we negotiated a major contract with the Denver Rapid Transit District and continue as a provider to Foothills Transit in Los Angeles and to San Francisco's Bay Area Rapid Transit.

These comments would not be complete without reflecting on the blows delivered by Mother Nature this past year – a devastating earthquake in Los Angeles, bitter cold in the Midwest and record snowfall in the Northeast. Our people were severely tested but responded remarkably thanks to their dedication and perseverance.

John R. Grainger
President and Chief Operating Officer, Laidlaw Transit

	1994	1993
Revenue		
($ millions)	**$860.3**	$725.7
Income from Operations		
($ millions)	**$ 94.4**	$ 90.7
Employees	**31,585**	27,895
Service Locations	**399**	323
States	**33**	28
Provinces	**5**	5
Vehicles		
School Bus	**22,110**	20,790
Healthcare	**664**	211
Transit and Other	**2,002**	1,790
Total Vehicles	**24,776**	22,791

[Mike Bragagnolo, executive vice-president, U.S. operations; Ken Lyons, president and COO; Bruce Cook, senior vice-president, Canada]
[upper right, Mary Ellen Duff, marketing analyst and Greg Peterson, vice-president, marketing and sales, group office]

Laidlaw Waste Systems meets the DEMAND *for value-added service and unique waste management solutions by focusing on* CUSTOMER SERVICE, *Strategic Growth and operational improvements.*

VALUE-ADDED SERVICES
STRATEGIC GROWTH

LAIDLAW WASTE SYSTEMS HAS RECOGNIZED THAT inventing new services and reinventing old ones is a prerequisite to being a leader in tomorrow's solid waste management industry. That's why we pioneered the Blue Box curbside recycling concept, and why we continue to address the changing needs of our customers. We are providing new services and developing more effective ways of doing business.

Capitalizing on our waste reduction and recycling solutions, our experience in operating Materials Recovery Facilities and the recent growth in end-markets for recyclables, we're aggressively pursuing the volume necessary to keep our commercial and residential recycling systems profitable.

Through our office equipment disassembly service, Laidlaw Waste Systems has developed partnerships with companies such as Pitney Bowes Canada, to divert more than 95 percent of used or outdated office equipment from landfills.

Another innovative service, WasteAuditor, helps customers reduce waste volumes, comply with increasingly stringent regulations and manage costs more effectively. WasteAuditor tracks waste streams to their points of generation, analyzes their content and provides actionable prescriptions for volume reduction, reuse and recycling.

Revenue and Operating Income
($ millions)

To differentiate ourselves from our competition and help to exceed customer expectations, we work with our sister company, Laidlaw Environmental Services, to provide customers with "One-Stop Shopping" for all their waste management and recycling needs.

Strategic acquisitions of traditional waste hauling and landfilling businesses as well as those which focus on the three Rs – reduce, reuse and recycle – further strengthens our service capabilities and increases our market density.

We've improved service quality through our Continuous Improvement Process. This process drives associates, at all levels of the organization, to achieve measurable results by meeting service and productivity challenges as a team. We now better understand customers' needs and better meet our commitments to them.

These initiatives are enabling us to grow as a customer-focused company, providing management of solid and biomedical wastes, recyclable resources and energy-from-waste systems to North American industry, commerce and municipalities.

	1994	1993
Revenue ($ millions)	**$750.2**	$756.0
Income from Operations ($ millions)	**$ 84.2**	$ 60.6
Employees	**5,040**	5,270
Service Locations	**139**	150
States	**18**	19
Provinces	**7**	7
Materials Recovery Facilities	**22**	14
Collection Vehicles	**2,575**	2,580
Landfills		
U.S.	**25**	26
Canada	**7**	8
Italy	**1**	1
Available Capacity (millions of cu. yds.)	**152**	153

K. L. Lyons

Kenneth L. Lyons
President and Chief Operating Officer, Laidlaw Waste Systems

[Sack Johannesmeyer, vice-president, treatment and landfill; Bill Stilwell, president and COO; Dennis Carvalho, vice-president, western region; Mike Faucett, vice-president, service centers; Dave Sprinkle, senior vice-president, operations]

[upper right, Laura Hallquist, customer service chemist, service center]

Laidlaw Environmental Services will concentrate on growth by improving service quality, promoting and selling NEW PRODUCTS *and enhancing efficiencies in the face of continuing difficult market conditions.*

Committed
Innovative

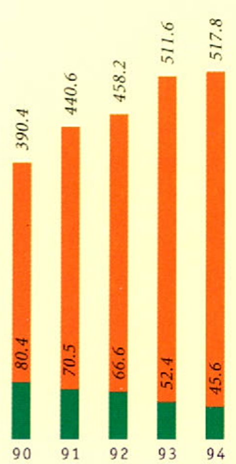
Laidlaw Environmental Services' commitment to long-term success in a tough, highly competitive and ever-changing market is exemplified by actions. While other companies may be leaving the hazardous waste management industry, we have strengthened our dedication to it and to our environment it seeks to protect. Some examples from 1994:

Our automated paint recycling process that is now making post-consumer products available on hardware store shelves across Canada.

We entered into an environmental alliance with Scott Paper to provide a process for the safe, responsible disposal of contaminated wipers. Energy is recovered by the process while impacts on municipal water systems are reduced.

We joined with conservationists to open a waterfowl and wildlife habitat that is already seen as a model of corporate environmental responsibility.

Revenue and Operating Income
($ millions)



Underscoring these examples is the recognition we have earned from those who professionally observe and regulate our operations. We received nine of 34 industry compliance awards from Environmental Information Ltd. We were honored by the U.S. Environmental Protection Agency for pollution prevention efforts that "are at the forefront of a new era in environmental protection."

To benefit customers, we are re-engineering our service abilities and have established a single North American call center to consolidate order fulfillment. This system will complement our plans to increase the number of short-term transfer stations, designed to extend our local presence and provide urgent customer response capability.

We have also developed an innovative service called Insite. We go to customers' sites and provide a range of services that enables us to become, in essence, their environmental department. This reduces costs and expands our business. In addition, mutual efforts with Laidlaw Waste Systems are broadening our customer base and increasing joint selling efforts for both companies.

Despite a harsh competitive and regulatory environment, 1994 was a year of achievement. While we do not expect those conditions to change, Laidlaw Environmental is well-positioned to grow, compete and succeed in 1995. We greatly anticipate the challenges, and the opportunities, that lie ahead.

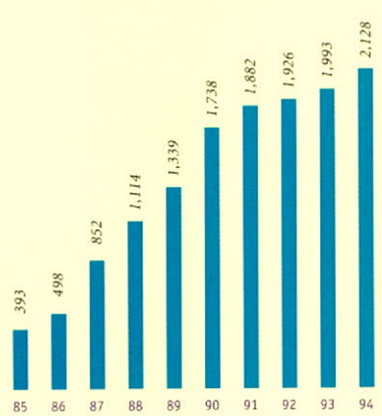
William E. Stilwell Jr.

William E. Stilwell

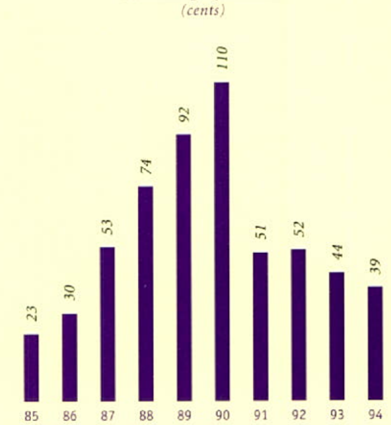
President and Chief Operating Officer, Laidlaw Environmental Services

	1994	1993
Revenue ($ millions)	**$517.8**	$511.6
Income from Operations ($ millions)	**$ 45.6**	$ 52.4
Employees	**3,470**	3,770
Service Locations	**55**	55
States	**13**	13
Provinces	**6**	6
Italy	**0**	5
Mexico	**1**	1
Incinerators	**3**	3
Annual Capacity (000's tons)	**178**	178
Landfills	**6**	6
Remaining Capacity (millions of cu. yds.)	**13.0**	14.5
Vehicles	**779**	745

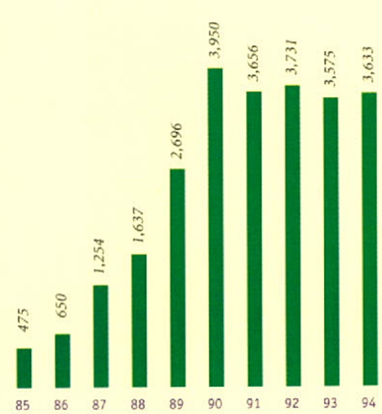
Revenue
($ millions)



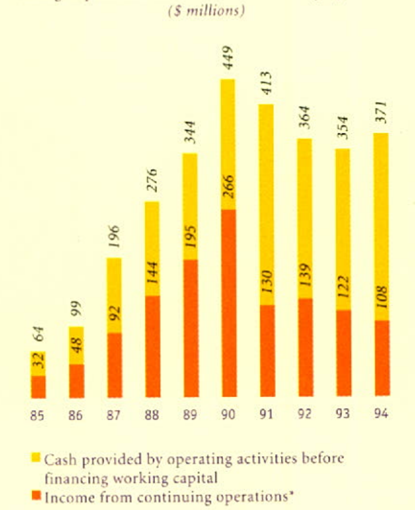
Earnings per Share from Continuing Operations*
(cents)



Total Assets
($ millions)



Cash Provided by Operating Activities Before Financing Working Capital and Income from Continuing Operations*
($ millions)



(U.S. $ millions except per share amounts)
Operating results – continuing operations (year ended August 31)
Revenue
Income from continuing operations*
Operating profit margin*
Net profit margin (from continuing operations)*
Cash provided by operating activities before financing working capital and special and non-recurring charges
Capital expenditures
– Replacement, upgrading and expansion
– Acquisitions
– Total
Financial position (as at August 31)
Working capital
Long-term debt
Shareholders' equity
Total assets
Class A Shares and Class B Non-Voting Shares (year ended August 31)
Earnings per share from continuing operations* (Note 13)
Cash provided by operating activities before financing working capital and special and non-recurring charges per share
Dividends paid (in Canadian dollars)
– Class A shares (cents)
– Class B shares (cents)
Market price (as at August 31, in Canadian dollars)
– Class A shares
– Class B shares
Net return on average common shareholders' equity*
Shares outstanding (as at August 31, in millions)
– Class A shares
– Class B shares

** Before special and non-recurring charges and unusual items.*

1994	1993	1992	1991	1990	1989	1988	1987	1986	1985
$2,128.3	$1,993.3	$1,925.6	$1,882.4	$1,737.5	$1,339.4	$1,113.6	$ 851.9	$497.7	$393.1
107.5	122.1	138.5	129.9	265.5	195.4	144.2	92.0	48.1	32.3
10.5%	10.2%	12.3%	13.1%	16.8%	17.9%	17.5%	16.2%	15.2%	16.7%
5.1%	6.1%	7.2%	6.9%	15.3%	14.6%	12.9%	10.8%	9.7%	8.2%
$ 370.5	$ 354.4	$ 364.3	$ 412.5	$ 448.7	$ 344.0	$ 275.7	$ 196.0	$ 98.8	$ 64.0
$ 287.4	$ 214.5	$ 224.8	$ 257.8	$ 279.9	$ 192.3	$ 242.6	$ 186.3	$114.3	$ 71.2
90.3	213.3	41.6	152.8	490.0	299.5	222.9	424.0	79.4	69.8
$ 377.7	$ 427.8	$ 266.4	$ 410.6	$ 769.9	$ 491.8	$ 465.5	$ 610.3	$193.7	$141.0
$ 221.8	$ 246.4	$ 239.0	$ 266.6	$ 279.9	$ 91.7	$ 117.9	$ 112.4	$121.8	$ 90.9
1,403.2	1,377.1	1,260.9	1,507.6	1,434.5	899.0	514.0	180.2	137.7	112.0
1,585.9	1,553.3	1,960.0	1,682.1	2,053.9	1,462.2	891.6	847.9	372.7	243.3
3,633.2	3,575.1	3,731.4	3,656.0	3,950.3	2,695.7	1,636.9	1,254.2	650.4	474.5

(All information gives retroactive effect to subdivisions of shares of 3 for 2 in each of September 1986 and May 1987)

$0.39	$0.44	$0.52	$0.51	$1.10	$0.92	$0.74	$0.53	$0.30	$0.23
1.34	1.28	1.37	1.67	1.92	1.70	1.56	1.27	0.72	0.47
16.0	16.0	16.0	31.0	27.0	23.0	18.5	12.0	7.7	6.5
16.0	16.0	16.0	31.0	27.0	23.0	18.5	12.0	7.7	6.5
$11.13	$9.25	$10.00	$13.13	$21.50	$19.63	$16.50	$22.50	$10.00	$6.83
11.13	9.25	10.00	13.13	21.25	19.25	15.50	21.50	9.56	6.72
6.8%	6.4%	7.5%	6.1%	15.1%	19.0%	20.5%	22.4%	23.5%	21.9%
47.6	47.6	47.6	47.6	47.6	47.6	47.6	47.6	47.6	47.6
229.6	229.6	229.6	205.7	191.4	170.7	141.9	128.3	102.9	89.4

The above data have been restated to give retroactive effect to the discontinued operations and a prior period adjustment reported in 1990, and retroactive application of the change in accounting for investment tax credits reported in 1986.

Items in the Consolidated Statements of Income for the three years ended August 31, 1994 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 Year Ended August 31			Percentage Increase (Decrease)		
	1994	1993	1992	**Year 1994 Over 1993**	Year 1993 Over 1992	Year 1992 Over 1991
Revenue	**100.0%**	100.0%	100.0%	**6.8%**	3.5%	2.3%
Operating expenses	**70.5**	70.0	67.6	**7.6**	7.2	3.4
Selling, general and administrative expenses	**7.5**	7.9	7.9	**0.9**	4.0	(6.0)
Depreciation and amortization	**11.5**	11.9	12.2	**2.9**	0.6	8.9
Income from operations before special and non-recurring charges	**10.5%**	10.2%	12.3%	**10.1**	(14.3)	(3.7)

Revenue

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

Year Ended August 31	**1994**		1993		1992	
Solid waste services	**$ 750.2**	**35.3%**	$ 756.0	37.9%	$ 804.2	41.8%
Hazardous waste services	**517.8**	**24.3**	511.6	25.7	458.2	23.8
Passenger services	**860.3**	**40.4**	725.7	36.4	663.2	34.4
	$2,128.3	**100.0%**	$1,993.3	100.0%	$1,925.6	100.0%

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

	Percentage Increase (Decrease)		
	Year 1994 Over 1993	Year 1993 Over 1992	Year 1992 Over 1991
Expansion of customer base by acquisition			
Solid waste services	**1.7 %**	0.8 %	1.8 %
Hazardous waste services	**1.7**	2.6	1.8
Passenger services	**7.2**	3.2	0.9
Subtotal	**10.6**	6.6	4.5
Other, primarily through volume and price changes			
Solid waste services	**0.8**	(1.5)	—
Hazardous waste services	—	0.5	(0.8)
Passenger services	**0.3**	0.9	(1.0)
Subtotal	**1.1**	(0.1)	(1.8)
Reduction of customer base through divestitures			
Solid waste services	**(1.8)**	(0.5)	—
Hazardous waste services	**(1.1)**	—	—
Passenger services	**(0.2)**	(0.2)	—
Subtotal	**(3.1)**	(0.7)	—
Foreign exchange rate changes			
Solid waste services	**(1.0)**	(1.3)	(0.2)
Hazardous waste services	**(0.3)**	(0.3)	(0.1)
Passenger services	**(0.5)**	(0.7)	(0.1)
Subtotal	**(1.8)**	(2.3)	(0.4)
Total	**6.8 %**	3.5 %	2.3 %

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

	Percentage Increase (Decrease)		
	Year 1994 Over 1993	Year 1993 Over 1992	Year 1992 Over 1991
Solid waste services			
Acquisitions	**4.5 %**	1.8 %	4.4 %
Other, primarily through volume and price changes	**2.1**	(3.6)	—
Divestitures	**(4.8)**	(1.1)	—
Foreign exchange rate changes	**(2.6)**	(3.1)	(0.5)
Total	**(0.8)%**	(6.0)%	3.9 %
Hazardous waste services			
Acquisitions	**6.6 %**	11.2 %	7.5 %
Other, primarily through volume and price changes	**(0.1)**	2.0	(3.2)
Divestitures	**(4.2)**	—	—
Foreign exchange rate changes	**(1.1)**	(1.5)	(0.3)
Total	**1.2 %**	11.7 %	4.0 %
Passenger services			
Acquisitions	**19.7 %**	9.4 %	2.6 %
Other, primarily through volume and price changes	**0.8**	2.5	(2.9)
Divestitures	**(0.6)**	(0.6)	—
Foreign exchange rate changes	**(1.4)**	(1.9)	(0.4)
Total	**18.5 %**	9.4 %	(0.7)%

In 1994, the solid waste services segment's divestiture of 12 hauling and landfill companies, of which 9 were divested in late 1993 and the remaining 3 in early 1994, resulted in revenue declines of $36 million which were mostly offset by revenue from acquisitions. In the hazardous waste services segment, the decline in revenue from the discontinuance and sale of the remedial business was offset by revenue attributable to acquisitions closed in the previous year. The growth in revenue in the passenger services segment was primarily attributable to acquisitions.

Revenue by Business Segment *(percent)*

The decline in value of the Canadian dollar in U.S. dollar terms has continued to adversely affect each segment but most significantly the solid waste services segment which has the highest proportion of Canadian revenue. The average value of the Canadian dollar declined a further 6.6% during this year.

Growth from price and volume changes has improved significantly and has become positive in the solid waste services segment but continues to be minimal in both the hazardous waste services and the passenger services segments. Volumes and prices have both shown some improvement in the solid waste services segment as the North American economy emerges from the recession.

In 1993, the growth in the hazardous waste services segment and the passenger services segment was primarily attributable to the acquisition of assets and businesses. Acquisitions also helped to moderate the decline in revenue in the solid waste services segment. The decline in value of the Canadian dollar in U.S. dollar terms adversely affected each segment but most significantly the solid waste services segment which has the highest proportion of Canadian revenue. Growth from price and volume changes was minimal in the hazardous waste services segment and the passenger services segment and negative in the solid waste services segment primarily as a result of the lingering recession in North America. Reduced volumes and prices, continued competitive pressures, increased focus on recycling and lack of economic expansion hampered revenue growth. The divestiture of 9 hauling companies during the year reduced revenue by $9 million. Price increases in the passenger services segment were virtually non-existent as provincial, state and local school boards responded to tightening budget constraints.

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	**1994**	1993	1992
Solid waste services	**7**	8	7
Hazardous waste services	—	7	2
Passenger services	**32**	26	10
	39	41	19

	Annualized Revenue (Approximate)		
Year Ended August 31	**1994**	1993	1992
Solid waste services	**$ 4.0**	$ 48.0	$11.0
Hazardous waste services	—	87.0	5.0
Passenger services	**135.0**	129.0	26.0
	$139.0	$264.0	$42.0

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

	Revenue						Growth Rates		
	Year Ended August 31						**Year 1994 Over 1993**	Year 1993 Over 1992	Year 1992 Over 1991
	1994		1993		1992				
United States and Europe	**$1,660.8**	**78.0%**	$1,456.6	73.1%	$1,332.6	69.2%	**14.0 %**	9.3 %	0.2%
Canada	**467.5**	**22.0**	536.7	26.9	593.0	30.8	**(12.9)**	(9.5)	7.2
	$2,128.3	**100.0%**	$1,993.3	100.0%	$1,925.6	100.0%	**6.8**	3.5	2.3

The decrease in Canadian revenue in 1994 was primarily attributable to the 6.6% decline in the value of the Canadian dollar which reduced revenue by $35 million and significant price reductions in the solid waste services segment.

In 1993, the decrease in Canadian revenue was primarily attributable to the 7.5% decline in value of the Canadian dollar which reduced revenue by $45 million.

Income from operations, cost of operations and operating profit margins

(before special and non-recurring charges)

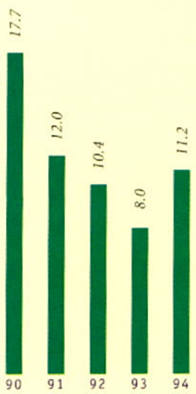
Income from operations and growth rates from segment components are as follows ($ millions):

	Income From Operations						Growth Rates		
	Year Ended August 31						**Year 1994 Over 1993**	Year 1993 Over 1992	Year 1992 Over 1991
	1994		1993		1992				
Solid waste services	**$ 84.2**	**37.6%**	$ 60.6	29.7%	$ 83.3	35.0%	**38.9 %**	(27.3)%	(10.0)%
Hazardous waste services	**45.6**	**20.3**	52.4	25.7	66.6	28.0	**(13.0)**	(21.3)	(5.5)
Passenger services	**94.4**	**42.1**	90.7	44.6	87.8	37.0	**4.1**	3.3	4.8
	$224.2	**100.0%**	$203.7	100.0%	$237.7	100.0%	**10.1**	(14.3)	(3.7)

Wages for operating personnel, equipment operating costs (including fuel and maintenance), insurance for personnel, property damage and third party liability, depreciation and disposal site fees represent the major components of the cost of operations. Operating costs as a percentage of revenue were 89.5% in 1994, compared with 89.8% in 1993 and 87.7% in 1992.

In 1994, the decrease in operating costs as a percentage of revenue was primarily a result of a reduction in solid waste services segment costs attributable to the restructuring and divestiture program and economic recovery in the United States. The passenger services segment experienced a significant improvement in the fourth quarter this year recording an operating profit as opposed to the operating losses experienced in prior years. Contributing to this improvement was the recovery of revenue days lost in the second quarter due to adverse weather, increased revenue from special events, and the increased contribution from the healthcare transportation business which does not have any sig-

Solid Waste Services Operating Profit Margins *(percent)*



nificant seasonality whereas the school transportation business shuts down in the fourth quarter as a result of the summer vacation period.

In 1993, the increase in operating costs as a percentage of revenue was primarily a result of lower volumes and prices in the Company's solid waste services disposal operations and higher operating expenses necessary to meet increased compliance requirements and service new market areas in the hazardous waste services business. Operating costs in the solid and hazardous waste services segments also increased proportionally more than revenue because the higher costs required to comply with environmental regulation and enforcement have not been fully recovered from customers due to competitive pricing pressures. In the hazardous waste services segment in the last fiscal quarter, costs were substantially increased as a result of unbillable cost overruns on several contracts and the incurring of unusually high governmental penalties for minor permit infractions. Passenger services segment costs were higher year over year as a result of an increased incidence of large liability claims.

The operating profit margins of the individual segments and consolidated margins are as follows:

Year Ended August 31	**1994**	1993	1992
Solid waste services	**11.2%**	8.0%	10.4%
Hazardous waste services	**8.8**	10.2	14.5
Passenger services	**11.0**	12.5	13.2
Consolidated	**10.5**	10.2	12.3

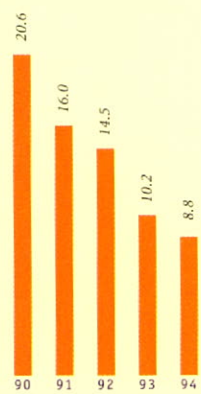
In 1994, the operating profit margin for the solid waste services segment increased to 11.2% from 8.0% in 1993. The significant improvement in the operating margin resulted primarily from the restructuring in fiscal 1993 and divestiture of some low margin operations in late 1993 and early 1994. In addition, increased economic activity in the United States and the June 1993 acquisition of the Gambolo landfill located near Milan, Italy also contributed to the improved operating margin. This landfill is expected to be fully utilized during fiscal 1996.

Passenger Services Operating Profit Margins *(percent)*

In 1993, the operating profit margin decreased to 8.0% from 10.4% in 1992. The decrease in operating margin resulted primarily from reductions in hauling and landfill volumes, including volumes of special wastes, and more competitive pricing to attract remaining volumes. Hauling operations also performed poorly as a result of lower commercial and industrial volumes and prices due to the continued weakness in the economy. In addition, severe winter weather conditions adversely impacted operating costs during the Company's second fiscal quarter.

The operating profit margin for the hazardous waste services segment decreased to 8.8% in 1994 from 10.2% in 1993. The decrease in the operating margin resulted primarily from the continuation of operating restrictions at the Company's Pinewood landfill facility in South Carolina, first experienced during the fourth quarter of fiscal 1993, continued competitive pressures on pricing levels and a decrease in special event business. The decrease was also attributable to lower volumes at the Company's eastern U.S. transfer stations due to the severe winter weather conditions. During the quarter ended February 28, 1994, Pinewood was issued its Part B operating permit and the United States Environmental Protection Agency restored the facility's capability to receive waste generated from remediation programs under the federally funded Superfund clean-up program. However, the board of the Department of Health and Environmental Conservation has imposed several conditions on this operating permit. The Company is challenging these conditions.

Hazardous Waste Services Operating Profit Margins *(percent)*



In 1993, the operating profit margin decreased to 10.2% from 14.5% in 1992. The decrease in the operating margin resulted primarily from lower U.S. prices and higher operating expenses necessary to meet increased compliance requirements at treatment and disposal facilities and in the last fiscal quarter a $1.8 million fine at the Company's Pinewood landfill facility in South Carolina. In addition, higher operating costs in new market areas in Western Canada and lower market prices for materials handled at the Canadian service centers also contributed to the reduced operating margin. Severe weather conditions at the Company's eastern U.S. landfill and, in the fourth quarter, losses on remedial contracts also negatively impacted results. Improved operating margins and increased income from operations at the U.S. service centers and U.S. western landfill operations due to increased volumes and cost reductions moderated the decrease in the results for the year.

The operating profit margin for the passenger services segment has decreased to 11.0% in 1994 from 12.5% in 1993. The decrease in the operating margin is primarily due to increased self-insurance accident costs, the growth of healthcare transportation services which has slightly lower margins than the balance of the Company's business and the severely cold and extremely snowy winter weather experienced across the eastern half of North America. School closures resulted in the loss of an equivalent of one week of service days system wide while operating costs including labor, vehicle maintenance, fuel and insurance continued or escalated. In addition, the California earthquake shut down operations of the Company's largest contract in Los Angeles for a full school week. Some of the days lost during the second fiscal quarter were recovered during the fourth fiscal quarter and this together with an increase in special event activity and the contribution from the healthcare business produced a better than expected result in the fourth quarter for this segment.

The operating profit margin for the passenger services segment decreased to 12.5% in 1993 from 13.2% in 1992. The decrease in operating margin was primarily attributable to higher insurance costs and increased maintenance and driver wage costs. The ability to pass through cost increases was hampered by state, provincial and local school board funding pressures that resulted in route reductions and little or no rate increases.

In fiscal 1995, the Company plans to continue to concentrate on both growth in the core businesses and, equally importantly, continuing improvement in the bottom-line results. Cost control programs in place, together with improving business conditions in Canada and the United States, should deliver improved operating margins in all segments of our business.

Seasonality

The passenger services segment 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 provision of year-round healthcare transportation services. Adverse winter weather moderately affects all of the Company's operations during the Company's second fiscal quarter. See also Note 18 of Notes to Consolidated Financial Statements.

Special and non-recurring charges

In 1993, the Company completed an evaluation of its exposure and investment in its solid waste segment. This evaluation was initiated due to the continuing decline in profitability of this segment and the fundamental structural changes taking place in the solid waste industry. These changes are the result of evolving environmental legislation and regulations, private and public demands for waste minimization and a weak North American economy. In light of these changes, the Company determined that certain projects commenced in a different political, economic and social environment were no longer economically viable at their current investment level. As a result, certain landfill development projects would not proceed as planned, additional planned investments in certain landfills would be reduced resulting in these facilities closing sooner than initially anticipated and the carrying values of certain operations were adjusted to reflect the changed industry characteristics.

In addition, the Company acquired exclusive, long-term access to a competitor's solid waste landfill in a major U.S. market area. This change in strategy and developments in both the solid and hazardous waste services segments triggered the re-evaluation of certain U.S. and Canadian solid waste landfill expansion projects and hazardous waste incineration investments.

As a result, special and non-recurring charges of $225.5 million ($169.9 million after-tax or $0.61 per share) were recorded in 1993. These charges were substantially of a non-cash nature and were primarily associated with the restructuring of the U.S. solid waste services segment.

Interest expense

In 1994, interest expense increased by 10.2% to $116.5 million from $105.7 million in 1993. The increase was due to an increase of approximately 5% in the average outstanding borrowing level as a result of acquisitions made during the past year and an increase in the cost of borrowing of approximately 5%.

In 1993, interest expense decreased by 13.4% to $105.7 million. The decline was primarily a result of a 5% reduction in the average outstanding borrowing for the year (primarily as a result of the February 1992 public equity issue of $215.5 million) and a decrease of approximately 9% in the cost of borrowing.

Interest, dividend and other income

Interest, dividend and other income increased by 11.6% to $15.4 million in 1994 from $13.8 million in 1993. The increase was primarily attributable to higher investment levels.

In 1993, interest, dividend and other income was relatively unchanged from 1992 since increased investment levels were offset with lower prevailing interest rates.

Equity in earnings of associated companies

This income results from the Company's equity in earnings of ADT Limited ("ADT") and Attwoods plc ("Attwoods") both of which trade on the London and New York stock exchanges. ADT provides electronic security services primarily in the United States, Canada and Europe and provides vehicle auction services in the United Kingdom and United States.

Attwoods provides solid waste services in the United States, United Kingdom and Continental Europe, medical waste services in the United States and the rental of portable sanitation and accommodation units in Germany.

The Company's equity in earnings of Attwoods has decreased to $9.0 million in 1994 from $12.9 million in 1993. The decrease was due to a decline in Attwoods' reported earnings.

Subsequent to November 30, 1993, equity earnings in respect of ADT are not reflected in the Company's results since the Company believes the current carrying value approximates the net realizable value. As a result, the Company's equity in earnings of ADT have decreased $21.3 million ($0.08 per share) to $5.7 million ($0.02 per share) in 1994 from $27.0 million ($0.10 per share) in 1993.

At August 31, 1994, the Company had a 23.8% (1993 – 23.9%; 1992 – 28.4%) interest in ADT, and in Attwoods, on a fully-converted basis including the investment in Convertible Preference Shares, an interest of 34.8% (1993 – 34.8%; 1992 – 34.9%).

See also the discussions on unusual items.

Unusual items

In 1994, the unusual items of $16.7 million (an after-tax loss of $0.06 per share) represent a provision for the anticipated loss on sale of the Company's investment in Attwoods of $27.5 million, offset partially by a net gain on the disposal of the Company's European operations (other than an Italian landfill which has a remaining life of less than 2 years) of $10.8 million.

In regards to Attwoods, the Company has irrevocably undertaken to accept a conditional tender offer (the "Offer") of Browning-Ferris Industries, Inc. ("BFI") for all of the Company's interests in Attwoods for an aggregate consideration of the approximate equivalent of $213 million plus a right to receive a contingent payment of its proportional share of the gain, if any, from the excess proceeds of disposition of certain assets of Attwoods in Germany. The Company is also obligated, at BFI's option, to purchase these assets of Attwoods for $56.8 million in the event that BFI does not dispose of them to a third party within six months of BFI gaining control of the Attwoods' Board of Directors. Management believes that these circumstances will not result in further loss to the Company and, in fact, expectations are that a contingent gain may become realized. As a result, a provision was recorded for the anticipated loss on sale of Attwoods to reflect the Company's expectations of proceeds in this regard but without any anticipation of the contingent cash payment that could result from the Offer.

In 1993, the unusual items of $243.8 million (an after-tax loss of $0.88 per share) related to the write-down of the Company's investment in ADT of $141.6 million and in Attwoods of $102.2 million in order to reflect the Company's determination of a decline in realizable value other than temporary in nature.

The Company's interest in ADT declined from 28.4% to 23.9% as a result of the issue in August 1993 by ADT of 20.7 million shares for net proceeds of $160 million, in which the Company did not participate. As a result of this dilution of the Company's investment and the major capital restructuring plan that ADT effected, the Company determined that a decline in realizable value other than temporary in nature had occurred and adjusted the carrying value downwards by $141.6 million.

During its fiscal year ended July 31, 1993, Attwoods contracted to sell its metals recycling business in the United States at a loss of approximately $144 million. As a result of this loss and Attwoods' earnings expectation from continuing operations, the Company determined that an impairment in the amount of $102.2 million of the realizable value of its investment in Attwoods had occurred of an other than temporary nature. This impairment reflected the Company's assessment of the fundamental structural changes impacting the U.S. solid waste industry, as well as the general economic weakness being experienced at Attwoods' German operations.

Income taxes

The effective income tax rate on income before special and non-recurring charges and unusual items has increased to 22.0% in 1994 from 19.5% in 1993. The increase was primarily due to lower equity in earnings of associated companies.

In 1993, the effective income tax rate on income before special and non-recurring charges and unusual items increased to 19.5% from 18.0% in 1992.

Extraordinary item

During 1992, the Company negotiated a settlement of a class action suit initiated in 1991. The Company agreed to settle in order to avoid the expense of litigation and in recognition of the uncertainty inherent in predicting the outcome of a court action. This payment, together with the Company's legal fees, was reflected as an extraordinary item and amounted to $6.1 million ($0.02 per share) on an after-tax basis.

Net income and earnings per share

Income before equity in earnings of ADT, special and non-recurring charges, unusual and extraordinary items increased 7.0% to $101.8 million in 1994 from $95.1 million in 1993. In 1993, income before equity in earnings of ADT, special and non-recurring charges, unusual and extraordinary items decreased 14.9% to $95.1 million from $111.8 million in 1992.

The weighted average number of common shares outstanding during 1994 remained unchanged from 1993 at 277.2 million. In 1992 there were an average of 266.0 million common shares outstanding.

Accordingly, earnings per share before equity in earnings of ADT, special and non-recurring charges, unusual and extraordinary items increased 8.8% to $0.37 per share in 1994 from $0.34 per share in 1993. In 1993, earnings per share before equity in earnings of ADT, special and non-recurring charges, unusual and extraordinary items decreased 19.0% to $0.34 from $0.42 in 1992. See also Note 13 of Notes to Consolidated Financial Statements.

Earnings per share from the equity in earnings of ADT was $0.02 per share in 1994, $0.10 per share in 1993 and $0.10 per share in 1992.

The special and non-recurring charges, unusual and extraordinary items amounted to a loss of ($0.06) per share in 1994, ($1.49) per share in 1993 and ($0.02) per share in 1992.

As a result, earnings per share is $0.33 in 1994, the loss per share was ($1.05) in 1993, and in 1992 the earnings per share was $0.50.

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 11 and Note 14 of Notes to Consolidated Financial Statements.

Financial condition

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

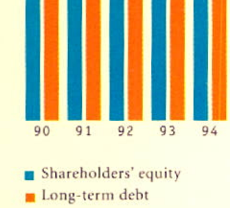
August 31	1994		1993		1992	
Deferred items						
Income taxes	**$ 48.2**	**1.5%**	$ 43.9	1.4%	$ 88.8	2.6%
Other	**204.0**	**6.3**	193.5	6.1	105.6	3.1
Long-term debt	**1,403.2**	**43.3**	1,377.1	43.5	1,260.9	36.9
Shareholders' equity	**1,585.9**	**48.9**	1,553.3	49.0	1,959.9	57.4
	$3,241.3	**100.0%**	$3,167.8	100.0%	$3,415.2	100.0%

In 1994, shareholders' equity increased by $32.6 million as a result of earnings retained after dividends of $57.6 million but decreased by $25.0 million due to the increased deficiency in the cumulative foreign currency translation adjustments account resulting from the 3.7% decline in value of the Canadian dollar versus the U.S. dollar since August 31, 1993.

Investment activities, including capital expenditures of $287.4 million and acquisitions of $90.3 million were largely financed by operating cash flows with a resultant net increased borrowing of long-term debt of $26.1 million.

In January 1994, the Company issued $280 million 6.00% ADT-Linked Convertible Debentures due January 15, 1999 (of which $45.6 million was denominated in Canadian dollars [Cdn. $59.9 million] at 6.75%) with interest rates, as a result of swap agreements, of money market rates plus 0.60%. At maturity, each debenture will allow the holder to participate in an increase in the market price of ADT common shares above $9.00 per share to a maximum of $12.60 per share, if any, at that time, by exercising their right to convert into Class B Non-Voting Shares of the Company at 95% of their then current market value. The Company has the option to satisfy its obligation to issue Class B Non-Voting Shares on conversion by the debenture holders, or at maturity, by tendering any combination of ADT common shares and Class B Non-Voting Shares at 95% of their then current market value and cash. The proceeds from this issue were used to repay long-term debt.

Capitalization
($ billions)

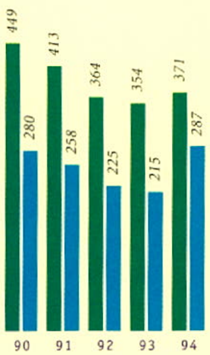


On September 20, 1994, the Company granted BFI an option to purchase all of its holdings in Attwoods, which is expected to realize a minimum of $213 million prior to February 1995.

The Company had revolving/term bank lines of credit primarily for acquisition and expansion purposes of $1,069 million of which approximately $578 million was unused as at August 31, 1994. The Company is required to maintain certain balance sheet ratios, all of which have been met at August 31, 1994.

Fiscal 1995 principal repayments of $170.0 million which would otherwise be classified as current portion of long-term debt, have been classified as long-term debt because the Company intends to refinance these borrowings on a

Cash Provided by Operating Activities Before Financing Working Capital and Capital Expenditures
($ millions)



long-term basis using the available capacity under its existing bank credit agreements.

In 1993, the major decreases in capital were attributed to (i) the net loss of $291.6 million, (ii) dividends paid of $35.5 million and (iii) the $79.5 million increased deficiency in the cumulative foreign currency translation adjustments account. Increases in capital came from an $87.9 million increase in deferred other items and a $116.2 million increase in long-term debt resulting in an overall reduction of $247.5 million in the Company's total capital. Investment activities, including capital expenditures of $214.5 million and acquisitions of $213.3 million were largely financed by operating cash flows with a resultant net increased borrowing of long-term debt of $116.2 million.

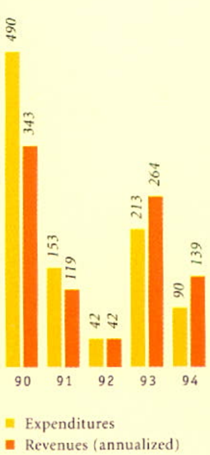
Liquidity

Cash provided by operating activities before financing working capital and special and non-recurring charges was $370.5 million, $354.4 million and $364.3 million in 1994, 1993 and 1992, respectively, representing percentage changes from the previous years of 4.5%, (2.7)% and (11.7)%.

Cash, short-term deposits and marketable securities which can be liquidated readily were $199.6 million, $212.2 million and $163.2 million at August 31, 1994, 1993 and 1992, respectively.

In 1994, trade and other accounts receivable decreased by $4.5 million. The average number of days sales outstanding has decreased to 56 days from 61 days in 1993 primarily due to the sale of the Italian engineering business, effective August 31, 1994.

Acquisition Expenditures/Revenues
($ millions)



In 1993, trade and other accounts receivable increased by $53.4 million, primarily attributable to acquisitions. The average number of days sales outstanding increased to 61 days from 53 days in 1992, primarily due to the nature of the engineering and healthcare transportation businesses acquired during this year, both of which have significant receivables from government agencies.

Management believes that the existing level of working capital of $221.8 million is adequate for the Company's normal growth and operating needs. Trade and other accounts receivable continues to represent the largest portion of current assets totalling $326.0 million at August 31, 1994.

Capital expenditures and capital resources

Net expenditures for the purchase of fixed assets for replacement, upgrading and expansion were $271.1 million, $193.6 million and $192.9 million in 1994, 1993 and 1992, respectively.

Capital expenditures for the purchase of fixed assets for fiscal 1995 are expected to be approximately $250 million, which represents normal replacement and upgrading requirements and purchases of additional fixed 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. Management believes that current operating cash flows are adequate to finance these expenditures as well as to service existing debt. At September 30, 1994, the Company had unused bank lines of credit of approximately $519 million.

Expenditures on the acquisitions of businesses were $90.3 million, $213.3 million and $41.6 million in 1994, 1993 and 1992, respectively. The majority of expenditures during 1994 and 1993 related to the acquisition of healthcare transportation businesses in the passenger service segment.

Effective August 31, 1994, the Company sold its investment in an Italian engineering business in exchange for convertible securities of United States Filter Corporation in the amount of $42 million.

Acquisitions of businesses have generally been financed initially with revolving/term bank loans and replaced later with longer term public issues of debt or equity. Purchases of fixed assets have generally been made from funds generated by operating cash flows.

Legal proceedings

Increasing levels of government regulation continue to have a significant effect on the Company's waste services segments. The Company strives to conduct its operations at least in compliance with applicable laws and regulations. However, in the existing climate of heightened legal, political and citizen awareness and concerns, companies in the waste services industry, including the Company, will be faced with fines and penalties and the need to expend funds for remedial work and related activities at waste treatment and disposal facilities. The Company has concluded, based upon existing information and applicable laws and regulations, that the amounts expended or anticipated to be expended by the Company are not likely to be material to its operations or financial condition.

Legal proceedings (continued)

As of August 31, 1994, subsidiaries of the Company had been notified that they are potentially responsible parties in connection with 24 locations listed on the Superfund National Priority List under the Comprehensive Environmental Response, Compensation and Liability Act in the United States. The Company periodically reviews the role, if any, of each subsidiary with respect to each such location, considering the nature and extent of the subsidiary's alleged connection and the accuracy and strength of evidence connecting the potentially responsible parties at the location.

The majority of these proceedings are based on allegations that certain Company subsidiaries (or their predecessors) transported hazardous substances to the facilities in question, often prior to the acquisition of such subsidiaries by the Company. Based on the results of the review of the various sites, expense accruals are provided by the Company for its anticipated share of future costs associated with remedial work to be undertaken and existing accruals are revised as deemed necessary.

In June 1992, the Ministry of the Environment of the Province of Quebec requested a subsidiary of the Company to advise the Ministry of its intentions concerning the carrying out of certain characterization studies of soil and water and restoration work with respect to certain areas of the subsidiary's property in Ville Mercier. In 1968, the Quebec government issued two permits to an unrelated company to dump organic liquids into lagoons on this property. By 1971, groundwater contamination had been identified. In July 1992, the subsidiary responded by first denying any responsibility for the decontamination and restoration of its site and secondly by proposing that the Ministry and the subsidiary form a working group to find the most appropriate technical solution to the contamination problem. In November 1992, the Ministry served the subsidiary with two Notices alleging the subsidiary was responsible for the presence of contaminants on its property and that of its neighbor and ordering the subsidiary to take all the necessary measures to excavate, eliminate or treat all the contaminated soils and residues located within the areas defined in the Notices and to recover and treat all of the contaminated waters resulting from the aforementioned measures or the Ministry would proceed to do the work and would claim from the subsidiary the direct and indirect costs relating to such work. The subsidiary responded by reiterating its position that it had no responsibility for the contamination and proposing to submit the question of responsibility to the Courts for determination. The subsidiary has filed legal proceedings to obtain a Court determination of the liability associated with the contamination of the former Mercier lagoons.

The consolidated federal income tax returns of the Company's United States subsidiaries for the fiscal years ended August 31, 1986, 1987 and 1988 have been under audit by the Internal Revenue Service. In March 1994, the subsidiaries received a Statutory Notice of Deficiency proposing that the subsidiaries pay additional taxes relating to disallowed deductions in those income tax returns. The principal issue involved relates to the timing and the deductibility for tax purposes of interest attributable to loans owing to related foreign persons. The subsidiaries have petitioned the United States Tax Court for a re-determination of claimed deficiencies of approximately $55 million (plus interest of approximately $49 million as of August 31, 1994) and intend to vigorously contest the claimed deficiencies. Although the final outcome cannot be predicted with certainty, the Company believes that the ultimate disposition will not have a materially adverse effect upon the Company's consolidated financial position or results of operations.

In 1994, the South Carolina regulatory authorities issued the Part B operating permit for the Company's Pinewood, South Carolina landfill facility. The permit effectively limited the remaining operating life for the disposal of hazardous and non-hazardous waste at the facility to five to seven years. The permit also required the establishment of an environmental impairment fund of $133 million (in 1994 dollars), to be funded by annual cash payments, beginning in 1994 and continuing to 2004. The Company made the first payment of $14.5 million without prejudice in August 1994. The Company has initiated court proceedings to appeal the fund requirements and capacity restrictions. In the meantime, the Company continues to operate the facility and has included the initial payment in long-term investments. The Company's carrying value of $100 million could be impaired based upon the outcome of these proceedings, in which however the Company believes it will be successful.

While the final resolution of these proceedings may have an impact on the financial results for a particular period, the Company does not believe that these matters are material to its business or financial condition.

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, Coopers & Lybrand, in accordance with generally accepted auditing standards. Coopers & Lybrand 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 12, 1994

Auditors' Report to the Shareholders

We have audited the consolidated balance sheets of Laidlaw Inc. as at August 31, 1994 and 1993 and the consolidated statements of income and retained earnings (deficit) and changes in financial position for each of the three years in the period ended August 31, 1994. 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, 1994 and 1993 and the results of its operations and the changes in its financial position for each of the three years in the period ended August 31, 1994 in accordance with Canadian generally accepted accounting principles.

Coopers & Lybrand

Hamilton, Canada
October 12, 1994

Coopers & Lybrand
Chartered Accountants

Year Ended August 31 (U.S. $ millions except per share amounts)	1994	1993	1992
Revenue	**$2,128.3**	$1,993.3	$1,925.6
Operating expenses	**1,500.4**	1,394.3	1,300.2
Selling, general and administrative expenses	**159.8**	158.3	152.2
Depreciation and amortization	**243.9**	237.0	235.5
Special and non-recurring charges (Note 9)	—	225.5	—
Income (loss) from operations	**224.2**	(21.8)	237.7
Interest expense	**(116.5)**	(105.7)	(122.1)
Interest, dividend and other income	**15.4**	13.8	13.6
Equity in earnings of associated companies	**14.7**	39.9	39.7
Unusual items (Note 10)	**(16.7)**	(243.8)	—
Income (loss) before income taxes	**121.1**	(317.6)	168.9
Income tax recovery (expense) (Note 11)	**(30.3)**	26.0	(30.4)
Income (loss) before extraordinary item	**90.8**	(291.6)	138.5
Extraordinary item (Note 12)	—	—	(6.1)
Net income (loss)	**$ 90.8**	$ (291.6)	$ 132.4
Earnings (loss) per share (Note 13)			
Before extraordinary item	**$ 0.33**	$ (1.05)	$ 0.52
Extraordinary item	—	—	(0.02)
Net income (loss)	**$ 0.33**	$ (1.05)	$ 0.50
Retained earnings (deficit) – beginning of year	**$ (120.6)**	$ 206.5	$ 115.1
Net income (loss)	**90.8**	(291.6)	132.4
Dividends – Preference Shares	**(0.5)**	(0.5)	(0.6)
– Class A Shares and Class B Non-Voting Shares	**(32.7)**	(35.0)	(36.2)
Share issue expenses (net of income taxes)	—	—	(4.2)
Retained earnings (deficit) – end of year	**$ (63.0)**	$ (120.6)	$ 206.5
Dividends per share (Cdn. $)			
– Preference Shares	**$ 1.00**	$ 1.00	$ 1.00
– Class A Shares and Class B Non-Voting Shares	**0.16**	0.16	0.16

The accompanying notes are an integral part of these statements.

August 31 (U.S. $ millions)	1994	1993
ASSETS		
Current assets		
Cash	$ 9.9	$ 15.0
Short-term deposits and marketable securities – at cost which approximates market value	189.7	197.2
Trade and other accounts receivable (net of allowance for doubtful accounts of $3.5; August 31, 1993 – $4.5)	326.0	330.5
Income taxes recoverable	27.9	53.1
Inventories	35.0	29.0
Other current assets	25.2	28.9
Total current assets	613.7	653.7
Long-term investments (Note 2)	725.8	711.2
Fixed assets (Note 3)	1,775.2	1,715.1
Other assets		
Excess cost of businesses purchased over fair value of net tangible assets acquired (net of accumulated amortization of $78.7; August 31, 1993 – $74.4)	494.7	474.5
Deferred charges	23.8	20.6
	518.5	495.1
Total assets	$3,633.2	$3,575.1
LIABILITIES		
Current liabilities		
Accounts payable	$ 146.7	$ 154.2
Accrued liabilities	150.3	159.7
Accrued self-insurance liabilities	53.6	50.0
Current portion of long-term debt (Note 6)	41.3	43.4
Total current liabilities	391.9	407.3
Deferred items		
Income taxes	48.2	43.9
Other (Note 4)	204.0	193.5
	252.2	237.4
Long-term debt (Note 6)	1,403.2	1,377.1
	2,047.3	2,021.8
Commitments and contingencies (Note 16)		
SHAREHOLDERS' EQUITY		
Preference Shares (Note 7)	9.6	9.6
Class A Shares; issued and outstanding 47,632,092 (August 31, 1993 – 47,632,092) (Note 7)	2.9	2.9
Class B Non-Voting Shares; issued and outstanding 229,555,668 (August 31, 1993 – 229,555,668) (Note 7)	1,815.4	1,815.4
Cumulative foreign currency translation adjustments (Note 8)	(179.0)	(154.0)
Deficit	(63.0)	(120.6)
Total shareholders' equity	1,585.9	1,553.3
Total liabilities and shareholders' equity	$3,633.2	$3,575.1

The accompanying notes are an integral part of these statements.

Signed on behalf of the Board

James R. Bullock, Director

Donald M. Green, Director

Year Ended August 31 (U.S. $ millions)	1994	1993	1992
Net cash provided by (used in):			
Operating activities	**$ 370.2**	$ 363.1	$ 377.7
Investing activities	**(380.0)**	(428.1)	(304.6)
Financing activities	**(2.8)**	114.0	(65.8)
	(12.6)	49.0	7.3
Cash, short-term deposits and marketable securities – beginning of year	**212.2**	163.2	155.9
Cash, short-term deposits and marketable securities – end of year	**$ 199.6**	$ 212.2	$ 163.2
Operating activities			
Income before special and non-recurring charges and unusual items (Note 14)	**$ 107.5**	$ 122.1	$ 138.5
Add (deduct) items not affecting cash:			
Depreciation and amortization	**243.9**	237.0	235.5
Deferred income taxes	**10.0**	7.6	13.1
Deferred other	**12.0**	22.3	13.0
Equity in earnings of associated companies	**(1.7)**	(26.5)	(26.3)
Other	**(1.2)**	(8.1)	(9.5)
Cash provided by operating activities before financing working capital and special and non-recurring charges	**370.5**	354.4	364.3
Cash used for special and non-recurring charges	**(16.4)**	(5.7)	—
Cash provided by working capital (Note 14)	**16.1**	14.4	13.4
Net cash provided by operating activities	**$ 370.2**	$ 363.1	$ 377.7
Investing activities			
Proceeds from sale of fixed assets	**$ 16.3**	$ 20.9	$ 31.9
Purchase of fixed assets	**(273.0)**	(200.7)	(208.7)
Purchase of other assets	**(14.4)**	(13.8)	(16.1)
Purchased on acquisitions (Note 15)			
– Fixed assets	**(22.3)**	(118.5)	(20.3)
– Other assets	**(68.0)**	(81.8)	(21.3)
– Long-term investments	—	(13.0)	—
Decrease in working capital relating to investment activities	**(4.7)**	(4.5)	(3.5)
Proceeds from sale of long-term investments	**2.4**	0.5	7.0
Increase in long-term investments			
– ADT Limited and Attwoods plc	—	—	(57.4)
– Other	**(16.3)**	(17.2)	(13.7)
Other	—	—	(2.5)
Net cash used in investing activities	**$ (380.0)**	$ (428.1)	$ (304.6)
Financing activities			
Net proceeds from share issues (Note 7)	**$ —**	$ —	$ 217.2
Increase in long-term debt	**647.5**	444.1	462.8
Increase in non-current liabilities on acquisitions (Note 15)	**104.2**	237.6	38.0
Reduction in long-term debt	**(721.3)**	(532.2)	(747.0)
Dividends	**(33.2)**	(35.5)	(36.8)
Net cash provided by (used in) financing activities	**$ (2.8)**	$ 114.0	$ (65.8)

The accompanying notes are an integral part of these 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 11 and Note 14, the consolidated financial statements conform, in all material respects, with accounting principles generally accepted in the United States ("U.S. GAAP").

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.

Inventories

Inventories 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. Equity earnings are recorded to the extent that any increase in the carrying value is determined to be realizable.

Fixed assets

Landfill sites, preparation costs and improvements are recorded at cost and amortized on the basis of landfill capacity utilized during the year.

Depreciation and amortization of other 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 – 5 to 15 years.

Other assets

The excess cost of businesses purchased over the fair value of net tangible assets acquired is amortized on a straight-line basis over forty years. Deferred charges are amortized on a straight-line basis over a two to five year period depending on the nature of the deferred costs.

Environmental liabilities

Environmental liabilities include accruals for costs associated with closure and post-closure monitoring and maintenance of the Company's landfills, remediation at certain of the Company's facilities and corrective actions at Superfund sites. The Company accrues for closure and post-closure costs over the life of the landfill site as airspace is consumed.

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.

Deferred items – other

Other deferred items primarily represent the accruals for the non-current portions of environmental and self-insurance liabilities.

Foreign currency translation

The Company's operations are all of a self-sustaining nature. The accounts are translated to U.S. dollars on the following basis:

Assets and liabilities at the exchange rate in effect at the balance sheet date and revenue and expenses at weighted monthly average exchange rates for the year.

2. LONG-TERM INVESTMENTS

August 31 ($ millions)	1994	1993
Associated companies – at equity		
ADT Limited		
(market value – $350.2; 1993 – $306.7) (ownership percentage – 23.8%; 1993 – 23.9%)	**$369.2**	$363.5
Attwoods plc		
(market value – $213.5; 1993 – $222.1) (ownership percentage – 29.8%; 1993 – 29.9%)	**212.9**	244.4
	582.1	607.9
Other long-term investments – at cost	**143.7**	103.3
	$725.8	$711.2

The excess of $242.1 million (1993 – $278.0 million) of the carrying value over the Company's share of the underlying net tangible assets of these associated companies is being amortized on a straight-line basis over forty years.

The investment in Attwoods plc ("Attwoods") consists of both 84.5 million (1993 – 84.5 million) Ordinary Shares and 47.9 million (1993 – 47.9 million) Convertible Redeemable Preference Shares, which represent 34.8% (1993 – 34.8%) of the votes on a fully-converted basis.

In 1994, the Company issued $280.0 million ADT-Linked Convertible Debentures (Note 6) which allow the holder to participate in an increase in the market price of ADT Limited ("ADT") common shares above $9.00 per share to a maximum of $12.60 per share on the Company's holdings of 31.1 million ADT shares. The Company retains an interest in the value of these shares above $12.60 per share. In assessing the appropriateness of the carrying value of ADT, management takes into consideration first the limited debenture holder's interests and then the Company's residual interest in the ADT common shares.

Effective October 3, 1994, Browning-Ferris Industries, Inc. ("BFI") tendered an offer (the "Offer") to purchase all outstanding Ordinary and Convertible Redeemable Preference Shares of Attwoods for £1.09 per share and £0.85 per share, respectively, plus an additional contingent cash payment to existing Ordinary Shareholders based upon the net proceeds realized from the disposal of Attwoods' German non-waste operations. The Company has irrevocably undertaken to accept the Offer in respect to all of its interests in Attwoods. The Company has further agreed to purchase Attwoods' German non-waste operations from BFI for $56.8 million (less debt obligations assumed), at BFI's option, should BFI be unable to dispose of these assets for at least this amount within six months after BFI gains control of the Attwoods' Board of Directors.

BFI's Offer, and the ultimate proceeds, are conditional upon the resolution of a number of conditions, including acceptance of the Offer by shareholders aggregating 90% of the outstanding Ordinary Shares and regulatory and trade commission approval in the U.S., the U.K. and Europe. However, the Company believes that there is a high degree of probability that BFI will be successful in the Offer, and has accordingly recorded a provision for the anticipated loss on sale of Attwoods to reflect the Company's expectation of proceeds in this regard but without any anticipation of the contingent cash payment that could result from the Offer.

Effective August 31, 1994, the Company sold its investment in an Italian engineering business in exchange for convertible securities of United States Filter Corporation in the amount of $42.2 million. The individual components of this non-cash transaction, consisting of an increase in long-term investments of $42.2 million, a gain of $10.8 million, and the elimination of the net assets of this business of $31.4 million, have not been reflected in the Consolidated Statements of Changes in Financial Position.

In 1993, the Company wrote-down its investments in associated companies to reflect a decline in realizable value that was other than temporary (Note 10).

Summarized financial information for ADT and Attwoods which has been extracted from the most recent audited financial information available, is as follows:

($ millions)	ADT Limited Year Ended December 31		Attwoods plc Year Ended July 31	
	1993	1992	**1994**	1993
Revenue	**$1,383.6**	$1,345.3	**$546.0**	$ 550.9
Income from operations	**197.4**	181.9	**14.8**	38.3
Income (loss) from continuing operations	**111.7**	109.1	**(11.2)**	22.5
Net income (loss)	**111.7**	109.1	**(10.7)**	(99.7)
Current assets	**503.2**	415.9	**115.3**	134.1
Non-current assets	**2,287.5**	2,265.5	**646.2**	655.3
Current liabilities	**388.4**	372.1	**112.2**	105.6
Non-current liabilities	**1,002.8**	1,117.1	**172.7**	185.2
Redeemable preference shares	**427.2**	434.6	**110.8**	107.6

ADT provides electronic security services primarily in the United States, Canada and Europe and provides vehicle auction services in the United Kingdom and United States. Attwoods provides solid waste services in the United States, United Kingdom and Continental Europe, medical waste services in the United States and the rental of portable sanitation and accommodation units in Germany.

3. FIXED ASSETS

($ millions)	**August 31, 1994**			August 31, 1993		
	Cost	**Accumulated Depreciation and Amortization**	**Net**	Cost	Accumulated Depreciation and Amortization	Net
Land, landfill sites and improvements	**$ 989.4**	**$ 272.2**	**$ 717.2**	$ 927.7	$227.8	$ 699.9
Buildings	**221.2**	**48.3**	**172.9**	198.7	39.6	159.1
Vehicles and other	**1,623.9**	**738.8**	**885.1**	1,514.0	657.9	856.1
	$2,834.5	**$1,059.3**	**$1,775.2**	$2,640.4	$925.3	$1,715.1

4. Deferred items – other

August 31 ($ millions)	1994	1993
Accrued environmental liabilities	**$114.6**	$111.0
Self-insurance liabilities	**53.1**	47.8
Other	**36.3**	34.7
	$204.0	$193.5

5. Environmental liabilities

The Company has recorded liabilities for closure and post-closure monitoring and environmental remediation costs as follows:

August 31 ($ millions)	1994	1993
Current portion, included in accrued liabilities	**$ 23.5**	$ 19.7
Non-current portion, included in deferred items – other	**114.6**	111.0
	$138.1	$130.7

The Company, in the normal course of its business, expends funds for environmental protection and remediation, but does not expect these expenditures to have a materially adverse effect on its financial condition or results of operations, since its business is based upon compliance with environmental laws and regulations and its services are priced accordingly.

Closure and post-closure monitoring and maintenance costs for U.S. landfills are estimated based on the technical requirements of the Subtitle C and D Regulations of the U.S. Environmental Protection Agency or the applicable state requirements, whichever are stricter, and the proposed air emissions standards under the Clean Air Act, and include such items as final capping of the site, methane gas and leachate management, groundwater monitoring, and operation and maintenance costs to be incurred during the period after the facility closes and ceases to accept waste. Closure and post-closure costs for the Company's landfills in Canada and Italy are based upon the local landfill regulations governing the facility.

The Company has also established procedures to routinely evaluate potential remedial liabilities at sites which it owns or operated, or to which it transported waste, including 24 sites listed on the Superfund National Priority List (NPL). In the majority of situations, the Company's connection with NPL sites relates to allegations that its subsidiaries (or their predecessors) transported waste to the facilities in question, often prior to the acquisition of such subsidiaries by the Company. The Company routinely reviews and evaluates sites requiring remediation, including NPL sites, giving consideration to the nature (i.e., owner, operator, transporter or generator), and the extent (i.e., amount and nature of waste hauled to the location, number of years of site operation by the Company, or other relevant factors) of the Company's alleged connection with the site, the accuracy and strength of evidence connecting the Company to the location, the number, connection and financial ability of other named and unnamed potentially responsible parties ("PRPs") and the nature and estimated cost of the likely remedy. Where the Company concludes that it is probable that a liability has been incurred, provision is made in the financial statements, based upon management's judgement and prior experience, for the Company's best estimate of the liability. Such estimates are subsequently revised as deemed necessary as additional information becomes available.

Where the Company believes that both the amount of a particular environmental liability and the timing of the payments are reliably determinable, the cost in current dollars is discounted to present value at 5%. Had the Company not discounted any portion of its liability, the amount recorded would have been increased by approximately $96 million at August 31, 1994.

The Company's active landfill sites have estimated remaining lives ranging from 2 to approximately 30 years based upon current site plans and anticipated annual volumes of waste. During this remaining site life, the Company will provide for an additional $321 million of closure and post-closure costs, including accretion for the discount recognized to date.

6. LONG-TERM DEBT

August 31 ($ millions)	1994	1993
Revolving/term bank loans with interest rates, as a result of swap agreements extending to September 2003, averaging 6.69% at August 31, 1994	**$ 284.6**	$ 266.6
10.47% notes due November 1, 1994	**170.0**	170.0
9.03% notes due December 19, 1995, with an interest rate, as a result of a swap agreement, of 8.76%	**230.0**	230.0
$155.0 notes with an interest rate, as a result of swap agreements, of 6.99%, with an average term to 1999 as a result of exercised interest prepayment options	**25.0**	38.5
6.00% ADT-Linked Convertible Debentures due January 15, 1999 ($45.6 was denominated in Canadian dollars [Cdn. $59.9] at 6.75%) with interest rates, as a result of swap agreements, of money market rates plus 0.60%	**280.0**	—
7.70% debentures due August 15, 2002, of which $125.0, as a result of swap agreements, bear interest at LIBOR plus 0.63%	**200.0**	200.0
7.05% debentures due May 15, 2003, with an interest rate, as a result of a swap agreement, of LIBOR plus 0.63%	**100.0**	100.0
8.25% debentures due May 15, 2023	**100.0**	100.0
9.49% notes due December 29, 1993, with an interest rate as a result of a swap agreement, of LIBOR plus 0.20%	**—**	155.0
Notes due at various dates to 2003, with interest rates from 6% to 10%	**54.9**	160.4
	1,444.5	1,420.5
Less current portion	**41.3**	43.4
	$1,403.2	$1,377.1

In January 1994, the Company issued $280.0 million 6.00% ADT-Linked Convertible Debentures due January 15, 1999. At maturity, each debenture will allow the holder to participate in an increase in the market price of ADT common shares above $9.00 per share to a maximum of $12.60 per share, if any, at that time, by exercising their right to convert into Class B Non-Voting Shares of the Company at 95% of their then current market value. The Company has the option to satisfy its obligation to issue Class B Non-Voting Shares on conversion by the debenture holders, or at maturity, by tendering any combination of ADT common shares and Class B Non-Voting Shares at 95% of their then current market value and cash.

On August 31, 1994, the Company had available $1,069 million (1993 – $1,059 million) of revolving/term bank credit agreements, of which approximately $578 million (1993 – $703 million) was unused, with interest rates generally at the lower of bank prime rates or money market rates plus fees of approximately 0.50% and commitment fees of 0.125% on the unused available facilities. Revolving periods generally extend for two years and if not extended, the lines, to the extent being used at the end of the revolving period, become repayable in equal semi-annual instalments of principal over the next five years. Under these agreements, the Company is required to maintain certain balance sheet ratios, all of which have been met at August 31, 1994.

Fiscal 1995 principal repayments of $170.0 million which would otherwise be classified as current portion of long-term debt, have been classified as long-term debt because the Company intends to refinance these borrowings on a long-term basis using the available capacity under its existing bank credit agreements described above.

Based on estimated interest rates currently available to the Company for long-term debt with similar terms and average maturities, the fair value of all long-term debt at August 31, 1994 amounted to approximately $1,413 million (1993 – $1,467 million).

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

Year ending August 31, 1995	$ 41.3
1996	326.6
1997	84.4
1998	79.6
1999	398.4
thereafter	514.2
	$1,444.5

7. CAPITAL STOCK

(a) Authorized

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.

Unlimited numbers of voting Class A Shares and Class B Non-Voting Shares are authorized. Class B Non-Voting Shares are entitled to certain priorities in the payment of dividends. After payment of a similar amount on the Class A Shares, Class B Non-Voting Shares rank equally in further distributions.

(b) Issued and fully paid preference shares

August 31 ($ millions except per share amounts)	**1994**	1993
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 653,070 (1993 – 653,070)	**$9.6**	$9.6

(c) Material changes in all classes of Capital Stock since September 1, 1991:

(i) On November 12, 1991, the Company issued 201,857 Class B Non-Voting Shares in the amount of $1.8 million as partial consideration for the acquisition of a business.

(ii) On February 20, 1992, the Company issued 23,650,000 Class B Non-Voting Shares for net proceeds of $215.4 million.

(d) Employee stock option program

Effective in 1984, the Directors of the Company set aside 2,700,000 Class B Non-Voting Shares for issuance under an employee stock option program. Options were granted under this plan on May 1 of each year from 1984 to 1990. These options are exercisable on the 5th anniversary of their date of granting provided that, if the closing price per share on The Toronto Stock Exchange on any of the ten trading days immediately preceding the exercise date of the option is less than the exercise price, the date of exercise is postponed to the next anniversary date of the grant. In 1991, the Directors of the Company set aside ten million Class B Non-Voting Shares for issuance under the 1991 employee stock option program. All options under this plan 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, 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.

Both 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 a non-competition agreement. At August 31, 1994, the aggregate options outstanding entitled holders to purchase 4,931,975 (1993 -3,719,200; 1992 – 2,834,500) Class B Non-Voting Shares.

Options to purchase Class B Non-Voting Shares have been granted under the 1984 plan as follows:

232,000 Class B Non-Voting Shares at Cdn. $18.42 per share exercisable May 1, 1995
247,750 Class B Non-Voting Shares at Cdn. $14.63 per share exercisable May 1, 1995
387,750 Class B Non-Voting Shares at Cdn. $15.75 per share exercisable May 1, 1995
359,750 Class B Non-Voting Shares at Cdn. $22.75 per share exercisable May 1, 1995

Options to purchase Class B Non-Voting Shares have been granted under the 1991 plan as follows:

492,575 Class B Non-Voting Shares at Cdn. $14.00 per share granted May 1, 1991
698,250 Class B Non-Voting Shares at Cdn. $11.375 per share granted May 1, 1992
862,650 Class B Non-Voting Shares at Cdn. $10.875 per share granted May 1, 1993
500,000 Class B Non-Voting Shares at Cdn. $7.63 per share granted October 13, 1993
1,151,250 Class B Non-Voting Shares at Cdn. $8.50 per share granted May 1, 1994

8. Cumulative foreign currency translation adjustments

An analysis of the cumulative foreign currency translation adjustments included in shareholders' equity is as follows:

August 31 ($ millions)	**1994**	1993
Balance – beginning of year	**$(154.0)**	$ (74.5)
Translation adjustments for the year	**(25.0)**	(79.5)
Balance – end of year	**$(179.0)**	$(154.0)

9. Special and non-recurring charges

In 1993, the Company completed an evaluation of its exposure and investment in its solid waste management segment. This evaluation was initiated due to the continuing decline in profitability of this segment and the fundamental structural changes taking place in the solid waste industry.

As a result, special and non-recurring charges of $225.5 million ($169.9 million after-tax or $0.61 per share) were recorded in 1993. These charges were substantially of a non-cash nature and were primarily associated with the restructuring of the U.S. solid waste services segment.

10. UNUSUAL ITEMS

In 1994, the unusual items of $16.7 million (an after-tax loss of $0.06 per share) represents a provision for the anticipated loss on sale of the Company's investment in Attwoods of $27.5 million (Note 2), offset partially by a net gain on the disposal of the Company's European operations of $10.8 million.

In 1993, the unusual items of $243.8 million (an after-tax loss of $0.88 per share) related to the write-down of the Company's investment in ADT of $141.6 million and in Attwoods of $102.2 million in order to reflect the Company's determination of a decline in realizable value other than temporary in nature.

11. INCOME TAXES

Income before income taxes and provision for income taxes by geographic area are as follows:

Year Ended August 31 ($ millions)	1994	1993	1992
Income (loss) before income taxes			
United States and foreign	$153.5	$(236.6)	$182.4
Canada	(32.4)	(81.0)	(13.5)
	$121.1	$(317.6)	$168.9
Provision for (recovery of) current income taxes			
United States and foreign	$ 26.8	$ 34.0	$ 19.8
Canada	(6.5)	(12.0)	(2.5)
	20.3	22.0	17.3
Provision for (recovery of) deferred income taxes			
United States and foreign	18.5	(37.0)	6.6
Canada	(8.5)	(11.0)	6.5
	10.0	(48.0)	13.1
Total provision for (recovery of) income taxes	$ 30.3	$ (26.0)	$ 30.4
The Company's effective income tax rates are as follows:			
Combined basic Canadian Federal and Provincial income tax rates	43.5 %	43.5 %	43.5 %
Effect of lower tax rates applicable to U.S. and foreign income	(16.5)	(18.1)	(22.2)
Effect of lower tax rates applicable to dividend and other income and equity in earnings of associated companies	(4.6)	(11.4)	(9.3)
Other	(0.4)	5.5	6.0
Effective income tax rates before effect of special and non-recurring charges and unusual items	22.0	19.5	18.0
Effect of special and non-recurring charges (Note 9) and unusual items (Note 10)	3.0	(11.3)	—
Effective income tax rates	25.0 %	8.2 %	18.0 %

Under U.S. GAAP, the Company was required to adopt the new United States standard on accounting for income taxes (SFAS 109) effective September 1, 1993. SFAS 109 establishes financial accounting and reporting standards for the effects of income taxes that result from an enterprise's activities during the current and preceding years. It requires an asset and liability approach for financial accounting and reporting for income taxes. For U.S. GAAP purposes the Company has retroactively adopted this standard and concluded that the adoption of this standard does not have a material effect on its results of operations in the current or preceding years. The effect of the adoption of this standard would be to increase both fixed assets and deferred income taxes by approximately $93 million at August 31, 1994 ($100 million – August 31, 1993).

12. EXTRAORDINARY ITEM

In 1992, the extraordinary item consisted of the settlement of a class action suit of $6.1 million (net of income taxes of $4.8 million), or $0.02 per share.

13. 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 conversion of the convertible preference shares and exercise of employee 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)	1994	1993	1992
Income before equity in earnings of ADT, special and non-recurring charges and unusual items	**$101.8**	$ 95.1	$111.8
Preference share dividends	**(0.5)**	(0.5)	(0.6)
Income before equity in earnings of ADT, special and non-recurring charges and unusual items available to common shareholders	**101.3**	94.6	111.2
Equity in earnings of ADT (net of tax)	**5.7**	27.0	26.7
Special and non-recurring charges (net of tax) (Note 9)	**—**	(169.9)	—
Unusual items (net of tax) (Note 10)	**(16.7)**	(243.8)	—
Income (loss) available to common shareholders	**90.3**	(292.1)	137.9
Extraordinary item (net of tax) (Note 12)	**—**	—	(6.1)
Net income (loss) available to common shareholders	**$ 90.3**	$(292.1)	$131.8
Weighted average number of shares outstanding (in millions)	**277.2**	277.2	266.0
Earnings (loss) per share			
– before equity in earnings of ADT, special and non-recurring charges and unusual items	**$ 0.37**	$ 0.34	$ 0.42
– equity in earnings of ADT (net of tax)	**0.02**	0.10	0.10
– special and non-recurring charges (net of tax)	**—**	(0.61)	—
– unusual items (net of tax)	**(0.06)**	(0.88)	—
	0.33	(1.05)	0.52
– Extraordinary item	**—**	—	(0.02)
– Net income (loss)	**$ 0.33**	$(1.05)	$ 0.50

14. Statement of changes in financial position

Year Ended August 31 ($ millions)	1994	1993	1992
Income before special and non-recurring charges and unusual items comprises:			
Income (loss) before extraordinary item	**$ 90.8**	$(291.6)	$138.5
Special and non-recurring charges (net of tax) (Note 9)	**—**	169.9	—
Unusual items (net of tax) (Note 10)	**16.7**	243.8	—
	$107.5	$ 122.1	$138.5
Cash provided by (used in financing) working capital comprises:			
Trade and other accounts receivable	**$(43.8)**	$ (23.4)	$ 15.6
Income taxes recoverable	**23.1**	(5.1)	(9.2)
Inventories	**(7.7)**	1.7	(1.8)
Other current assets	**—**	5.9	5.2
Accounts payable, accrued liabilities and accrued self-insurance liabilities	**44.5**	35.3	3.6
	$ 16.1	$ 14.4	$ 13.4

In accordance with Canadian GAAP, the Company defines cash and cash equivalents as cash, short-term deposits and marketable securities which are readily convertible into cash. Under U.S. GAAP marketable securities with an initial maturity greater than three months are excluded from the definition of cash and cash equivalents. These differences would result in the following under U.S. GAAP:

Year Ended August 31 ($ millions)	1994	1993	1992
Net cash provided by operating activities	**$314.9**	$ 334.3	$379.4
Cash, short-term deposits and marketable securities – end of year	**23.8**	91.6	71.4

15. Acquisitions

During the year ended August 31, 1994, the Company purchased 7 solid waste services businesses and 32 passenger services businesses. During 1993, the Company purchased 8 solid waste services businesses, 7 hazardous waste services businesses and 26 passenger services businesses. During 1992, the Company purchased 7 solid waste services businesses, 2 hazardous waste services businesses and 10 passenger services businesses.

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 net assets acquired are summarized as follows:

Year Ended August 31 ($ millions)	**1994**	1993	1992
Net tangible assets acquired at book value	**$36.9**	$ 76.7	$22.3
Increase of net tangible assets to fair value at dates of acquisition	—	39.1	—
Excess of cost over fair value of net tangible assets acquired	**52.7**	59.8	15.1
Total consideration given	**$89.6**	$175.6	$37.4
Total use of working capital on these acquisitions consisted of:			
Non-current assets acquired	**$90.3**	$213.3	$41.6
Non-current liabilities assumed	**14.6**	62.0	0.6
	75.7	151.3	41.0
Long-term debt financing	**89.6**	175.6	37.4
Net increase (decrease) in working capital	**$13.9**	$ 24.3	$(3.6)

16. Commitments and contingencies

Lease commitments ($ millions)

Rental expense incurred under operating leases was $48.0, $39.7 and $37.5 in 1994, 1993 and 1992 respectively.

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

Year ending August 31,	1995	$29.5
	1996	23.4
	1997	19.2
	1998	13.6
	1999	10.6
	thereafter	24.6

Legal proceedings

The business of the Company's solid waste and hazardous waste services segments is continuously regulated by federal, state, provincial and local provisions that have been enacted or adopted, regulating the discharge of materials into the environment or primarily for the purpose of protecting the environment. The nature of the Company's business results in it frequently becoming a party to judicial or administrative proceedings involving all levels of governmental authorities and other interested parties. The issues that are involved generally relate to applications for permits and licenses by the Company and their conformity with legal requirements and alleged technical violations of existing permits and licenses.

In June 1992, the Ministry of the Environment of the Province of Quebec requested a subsidiary of the Company to advise the Ministry of its intentions concerning the carrying out of certain characterization studies of soil and water and restoration work with respect to certain areas of the subsidiary's property in Ville Mercier. In 1968, the Quebec government issued two permits to an unrelated company to dump organic liquids into lagoons on this property. By 1971, groundwater contamination had been identified. In July 1992, the subsidiary responded by first denying any responsibility for the decontamination and restoration of its site and secondly, by proposing that the Ministry and the subsidiary form a working group to find the most appropriate technical solution to the contamination problem. In November 1992, the Ministry served the subsidiary with two Notices alleging the subsidiary was responsible for the presence of contaminants on its property and that of its neighbor and ordering the subsidiary to take all the necessary measures to excavate, eliminate or treat all the contaminated soils and residues located within the areas defined in the Notices and to recover and treat all of the contaminated waters resulting from the aforementioned measures or the Ministry would proceed to do the work and would claim from the subsidiary the direct and indirect costs relating to such work. The subsidiary responded by reiterating its position that it had no responsibility for the contamination and proposing to submit the question or responsibility to the Courts for determination. The subsidiary has filed legal proceedings to obtain a Court determination of the liability associated with the contamination of the former Mercier lagoons.

The consolidated federal income tax returns of the Company's United States subsidiaries for the fiscal years ended August 31, 1988, 1987 and 1986 have been under audit by the Internal Revenue Service. In March 1994, the subsidiaries received a Statutory Notice of Deficiency proposing that the subsidiaries pay additional taxes relating to disallowed deductions in those income tax returns. The principal issue involved relates to the timing and the deductibility for tax purposes of interest attributable to loans owing to related foreign persons. The subsidiaries have petitioned the United States Tax Court for a re-determination of claimed deficiencies of approximately $55 million (plus interest of approximately $49 million as of August 31, 1994) and intend to vigorously contest the claimed deficiencies. Although the final outcome cannot be predicted with certainty, the Company believes that the ultimate disposition will not have a materially adverse effect upon the Company's consolidated financial position or results of operations.

In 1994, the South Carolina regulatory authorities issued the Part B operating permit for the Company's Pinewood, South Carolina landfill facility. The permit effectively limited the remaining operating life for the disposal of hazardous and non-hazardous waste at the facility to approximately five to seven years. The permit also required the establishment of an environmental impairment fund of $133 million (in 1994 dollars), to be funded by annual cash payments, beginning in 1994 and continuing to 2004. The Company made the first payment of $14.5 million without prejudice in August 1994. The Company has initiated court proceedings to appeal the fund requirements and capacity restrictions. In the meantime, the Company continues to operate the facility and has included the initial payment in long-term investments. The Company's carrying value of $100 million could be impaired based upon the outcome of these proceedings, in which however the Company believes it will be successful.

While the final resolution of these proceedings may have an impact on the financial results for a particular period, the Company does not believe that these matters are material to its business or financial condition.

17. Segmented information

Services

Year Ended August 31 ($ millions)	1994	1993	1992
		Solid Waste Services	
Revenue	**$ 750.2**	$ 756.0	$ 804.2
Income from operations	**84.2**	60.6*	83.3
Total identifiable assets	**906.8**	954.6	1,081.4
Capital expenditures, including acquisitions	**80.6**	100.0	75.9
Depreciation and amortization	**106.7**	105.8	108.3
		Hazardous Waste Services	
Revenue	**$ 517.8**	$ 511.6	$ 458.2
Income from operations	**45.6**	52.4**	66.6
Total identifiable assets	**951.6**	994.5	932.6
Capital expenditures, including acquisitions	**53.5**	147.4	92.2
Depreciation and amortization	**48.4**	57.0	55.3
		Passenger Services	
Revenue	**$ 860.3**	$ 725.7	$ 663.2
Income from operations	**94.4**	90.7	87.8
Total identifiable assets	**902.1**	754.7	643.7
Capital expenditures, including acquisitions	**234.4**	165.6	90.9
Depreciation and amortization	**87.0**	71.6	67.9

* *Before special and non-recurring charges of $191.0 in 1993*
** *Before special and non-recurring charges of $34.5 in 1993*

Geographic

Year Ended August 31 ($ millions)	1994	1993	1992
		United States and Europe	
Revenue	**$1,660.8**	$1,456.6	$1,332.6
Income from operations	**162.6**	141.2*	148.1
Total identifiable assets	**2,062.8**	1,977.2	1,835.8
		Canada	
Revenue	**$ 467.5**	$ 536.7	$ 593.0
Income from operations	**61.6**	62.5**	89.6
Total identifiable assets	**697.7**	726.6	821.9

* *Before special and non-recurring charges of $179.3 in 1993*
** *Before special and non-recurring charges of $46.2 in 1993*

Consolidated

Year Ended August 31 ($ millions)	1994	1993	1992
Revenue	**$2,128.3**	$1,993.3	$1,925.6
Income from operations before special and non-recurring charges	**224.2**	203.7	237.7
Special and non-recurring charges	—	(225.5)	—
Interest expense net of other income	**(101.1)**	(91.9)	(108.5)
Equity in earnings of associated companies	**14.7**	39.9	39.7
Unusual items	**(16.7)**	(243.8)	—
Income tax recovery (expense)	**(30.3)**	26.0	(30.4)
Income (loss) before extraordinary item	**$ 90.8**	$ (291.6)	$ 138.5
Total identifiable assets of segments	**$2,760.5**	$2,703.8	$2,657.7
Corporate assets	**872.7**	871.3	1,073.7
Total assets	**$3,633.2**	$3,575.1	$3,731.4
Capital expenditures, including acquisitions	**$ 377.7**	$ 427.8	$ 266.4
Depreciation and amortization	**243.9**	237.0	235.5

18. QUARTERLY FINANCIAL INFORMATION (unaudited)

($ millions except per share amounts)	1st	2nd	3rd	4th	Total
Revenue					
- 1994	**$546.2**	**$520.4**	**$579.1**	**$ 482.6**	**$2,128.3**
- 1993	512.9	469.0	543.8	467.6	1,993.3
Income from operations before special and non-recurring charges					
- 1994	**64.3**	**43.3**	**76.3**	**40.3**	**224.2**
- 1993	72.0	47.9	66.2	17.6	203.7
Income (loss) before equity in earnings of ADT, special and non-recurring charges and unusual items (Note 13)					
- 1994	**32.3**	**17.0**	**38.9**	**13.6**	**101.8**
- 1993	42.1	21.3	34.6	(2.9)	95.1
Equity in earnings of ADT (net of tax)					
- 1994	**5.7**	—	—	—	**5.7**
- 1993	6.8	6.8	6.7	6.7	27.0
Special and non-recurring charges (net of tax)					
- 1994	—	—	—	—	—
- 1993	—	—	(74.9)	(95.0)	(169.9)
Unusual items (net of tax)					
- 1994	—	—	—	**(16.7)**	**(16.7)**
- 1993	—	—	—	(243.8)	(243.8)
Net income (loss)					
- 1994	**38.0**	**17.0**	**38.9**	**(3.1)**	**90.8**
- 1993	48.9	28.1	(33.6)	(335.0)	(291.6)
Earnings (loss) per share – Income (loss) before equity in earnings of ADT, special and non-recurring charges and unusual items (Note 13)					
- 1994	**$0.12**	**$0.06**	**$ 0.14**	**$ 0.05**	**$ 0.37**
- 1993	0.15	0.08	0.13	(0.02)	0.34
Earnings (loss) per share – Net income (loss)					
- 1994	**0.14**	**0.06**	**0.14**	**(0.01)**	**0.33**
- 1993	0.18	0.10	(0.12)	(1.21)	(1.05)

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 for the accounting for income taxes (Note 11 of Notes to Consolidated Financial Statements), the definition of cash in the Consolidated Statements of Changes in Financial Position (Note 14 of Notes to Consolidated Financial Statements), and the reporting of certain extraordinary items and a prior period adjustment in 1991.

Year Ended August 31 ($ millions except per share amounts)	1994	1993	1992	1991	1990
Income Statement Data Under Canadian GAAP					
Revenue	**$2,128.3**	$1,993.3	$1,925.6	$1,882.4	$1,737.5
Income from operations before special and non-recurring charges	**224.2**	203.7	237.7	246.8	291.2
Income from continuing operations before special and non-recurring charges and unusual items	**107.5**	122.1	138.5	129.9	265.5
Income (loss) from continuing operations	**90.8**	(291.6)	138.5	(329.3)	265.5
Income (loss) before extraordinary items	**90.8**	(291.6)	138.5	(344.4)	247.9
Net income (loss)	**90.8**	(291.6)	132.4	(344.4)	214.5
Earnings per share from continuing operations before special and non-recurring charges and unusual items (Note 13)	**0.39**	0.44	0.52	0.51	1.10
Earnings (loss) per share from continuing operations	**0.33**	(1.05)	0.52	(1.35)	1.10
Earnings (loss) per share before extraordinary items	**0.33**	(1.05)	0.52	(1.41)	1.02
Earnings (loss) per share	**0.33**	(1.05)	0.50	(1.41)	0.88
Dividends per Class A Share	**0.118**	0.126	0.137	0.268	0.231
Dividends per Class B Non-Voting Share	**0.118**	0.126	0.137	0.268	0.231
Average number of Class A and Class B Shares (millions)	**277.2**	277.2	266.0	246.7	233.5
Approximate Amounts Under U.S. GAAP					
Income (loss) from continuing operations	**$ 90.8**	$ (291.6)	$ 138.5	$ (329.3)	$ 232.1
Income (loss) before extraordinary items	**90.8**	(291.6)	138.5	(344.4)	214.5
Net income (loss)	**90.8**	(291.6)	132.4	(344.4)	199.5
Earnings (loss) per share from continuing operations	**0.33**	(1.05)	0.52	(1.35)	0.96
Earnings (loss) per share before extraordinary items	**0.33**	(1.05)	0.52	(1.41)	0.88
Earnings (loss) per share	**0.33**	(1.05)	0.50	(1.41)	0.82
Balance Sheet Data (at end of year) Under Canadian GAAP					
Working capital	**$ 221.8**	$ 246.4	$ 239.0	$ 266.6	$ 279.9
Fixed assets, net	**1,775.2**	1,715.1	1,795.1	1,833.8	1,701.6
Total assets	**3,633.2**	3,575.1	3,731.4	3,656.0	3,950.3
Long-term debt	**1,403.2**	1,377.1	1,260.9	1,507.6	1,434.5
Shareholders' equity	**1,585.9**	1,553.3	1,960.0	1,682.1	2,053.9
Other Data					
Operating margin	**10.5%**	10.2%	12.3%	13.1%	16.8%
Pre-tax margin*	**6.5**	7.6	8.8	8.4	17.8
After-tax margin*	**5.1**	6.1	7.2	6.9	15.3
Return on average common shareholders' equity*	**6.8**	6.4	7.5	6.1	15.1
Return on assets employed in operations*	**8.2**	7.4	8.9	9.7	13.9
Long-term debt/capital	**43.3**	43.5	36.9	44.7	39.2
Long-term debt/equity	**88.5**	88.7	64.3	89.6	69.8

* *Before special and non-recurring charges and unusual items*

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	1994	1993	1992	1991	1990
High	**Cdn $1.3845**	Cdn $1.3208	Cdn $1.2048	Cdn $1.1678	Cdn $1.2068
Low	**1.3226**	1.2216	1.1228	1.1422	1.1316
Average	**1.3552**	1.2658	1.1705	1.1553	1.1710
End of year	**1.3712**	1.3208	1.1952	1.1422	1.1545

On October 12, 1994, 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. $1.3477.

The Company's Class A Shares and Class B Non-Voting 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 Class A Shares and the Class B Non-Voting Shares on The Toronto Stock Exchange for the periods indicated.

	Class A Shares		Class B Non-Voting Shares	
1993 Fiscal Year	High	Low	High	Low
First Quarter	$11.25	$ 9.00	$11.25	$ 8.63
Second Quarter	12.25	10.50	12.25	10.50
Third Quarter	11.50	9.75	11.38	9.63
Fourth Quarter	10.63	7.88	10.75	7.75
1994 Fiscal Year	**High**	**Low**	**High**	**Low**
First Quarter	**$ 9.25**	**$ 7.13**	**$ 9.38**	**$ 7.13**
Second Quarter	**10.50**	**7.88**	**10.50**	**7.88**
Third Quarter	**9.88**	**7.75**	**9.75**	**7.63**
Fourth Quarter	**11.38**	**8.75**	**11.50**	**8.75**

The following table sets forth the reported high and low sales prices, in U.S. dollars, for the Class A Shares and the Class B Non-Voting Shares on the New York Stock Exchange for the periods indicated.

	Class A Shares		Class B Non-Voting Shares	
1993 Fiscal Year	High	Low	High	Low
First Quarter	$ 9.13	$ 7.25	$ 9.13	$ 6.88
Second Quarter	9.50	8.25	9.63	8.25
Third Quarter	9.13	7.63	9.13	7.63
Fourth Quarter	8.50	6.00	8.50	6.00
1994 Fiscal Year	**High**	**Low**	**High**	**Low**
First Quarter	**$ 7.13**	**$ 5.38**	**$ 7.13**	**$ 5.38**
Second Quarter	**7.88**	**5.88**	**7.88**	**5.75**
Third Quarter	**6.88**	**5.63**	**7.00**	**5.50**
Fourth Quarter	**8.25**	**6.38**	**8.38**	**6.25**

As of September 30, 1994, there were 1,604 and 6,452 holders of record of Class A Shares and Class B Non-Voting Shares, respectively.

The Company has paid cash dividends every year since 1969. Cash dividends of $0.04 Canadian per Class A Share and Class B Non-Voting Share were paid on each of November 15, 1992, February 15, 1993, May 15, 1993, August 15, 1993, November 15, 1993, February 15, 1994, May 15, 1994 and August 15, 1994. Cash dividends of $0.04 Canadian per Class A Share and Class B Non-Voting Share have been declared payable on November 15, 1994.

Holders of record of Class A Shares and Class B Non-Voting 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 Class A Shares or Class B Non-Voting 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.

DIRECTORS

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Chairman of the Board
The Toronto Blue Jays
Baseball Club

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Chief Executive Officer
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President
William A. Farlinger &
Associates
(Consulting Company)

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Canadian Pacific Limited
(Management Company)

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Tridon Limited
(Automotive and Industrial
Parts Manufacturing)

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(Management Company)

Ardagh S. Kingsmill
Partner
McCarthy Tétrault
(Legal Firm)

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Chief Executive Officer
Strategico Inc.
(Consulting Company)

William W. Stinson
Chairman and
Chief Executive Officer
Canadian Pacific Limited
(Management Company)

Stella M. Thompson
President
Stellar Energy Ltd.
(Consulting Company)

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General Counsel

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Vice-President, Risk
Management

William R. Cottick
Associate General Counsel
and Secretary

Donald L. Schwieg
Vice-President, Technology

Thomas A.G. Watson
Vice-President,
Communications

1 *Member of the Executive Committee*
2 *Member of the Audit Committee*
3 *Member of the Human Resource and Compensation Committee*
4 *Member of the Nominating and Corporate Governance Committee*

MAJOR SUBSIDIARIES

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William E. Stilwell
President and Chief Operating Officer

LAIDLAW TRANSIT
John R. Grainger
President and Chief Operating Officer

LAIDLAW WASTE SYSTEMS
Kenneth L. Lyons
President and Chief Operating Officer

EXECUTIVE OFFICES

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New York, New York
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FORM 10-K

A copy of the Company's Annual Report on Form 10-K for 1994 may be obtained without charge by writing to Laidlaw Inc.

VERSION FRANÇAISE

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