C

LAIDLAW

1992 ANNUAL REPORT

CORPORATE PROFILE

Laidlaw Inc. is a North American leader in delivering services to protect the environment and safely transport children to and from school.

Responding to customer demand, Laidlaw provides a continuum of environmental management services from waste reduction and transportation, through recycling, to a variety of treatment options, incineration and landfilling.

Laidlaw's passenger services organization provides safe, reliable student transportation to school boards and, increasingly, passenger services to municipal governments and the public.

Since first offering its shares to the public in 1969, Laidlaw has expanded throughout North America and entered the European environmental management business in 1991.

Recognized today as the largest student transportation company and the second largest hazardous waste management organization in North America, Laidlaw ranks third in solid waste management and recycling services.

Laidlaw is the largest stockholder in Attwoods plc and ADT Limited. Attwoods is the fourth largest solid, bio-medical waste and recyclables manager in North America, while ADT is the world's largest security services and vehicle auction company.

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ANNUAL MEETING

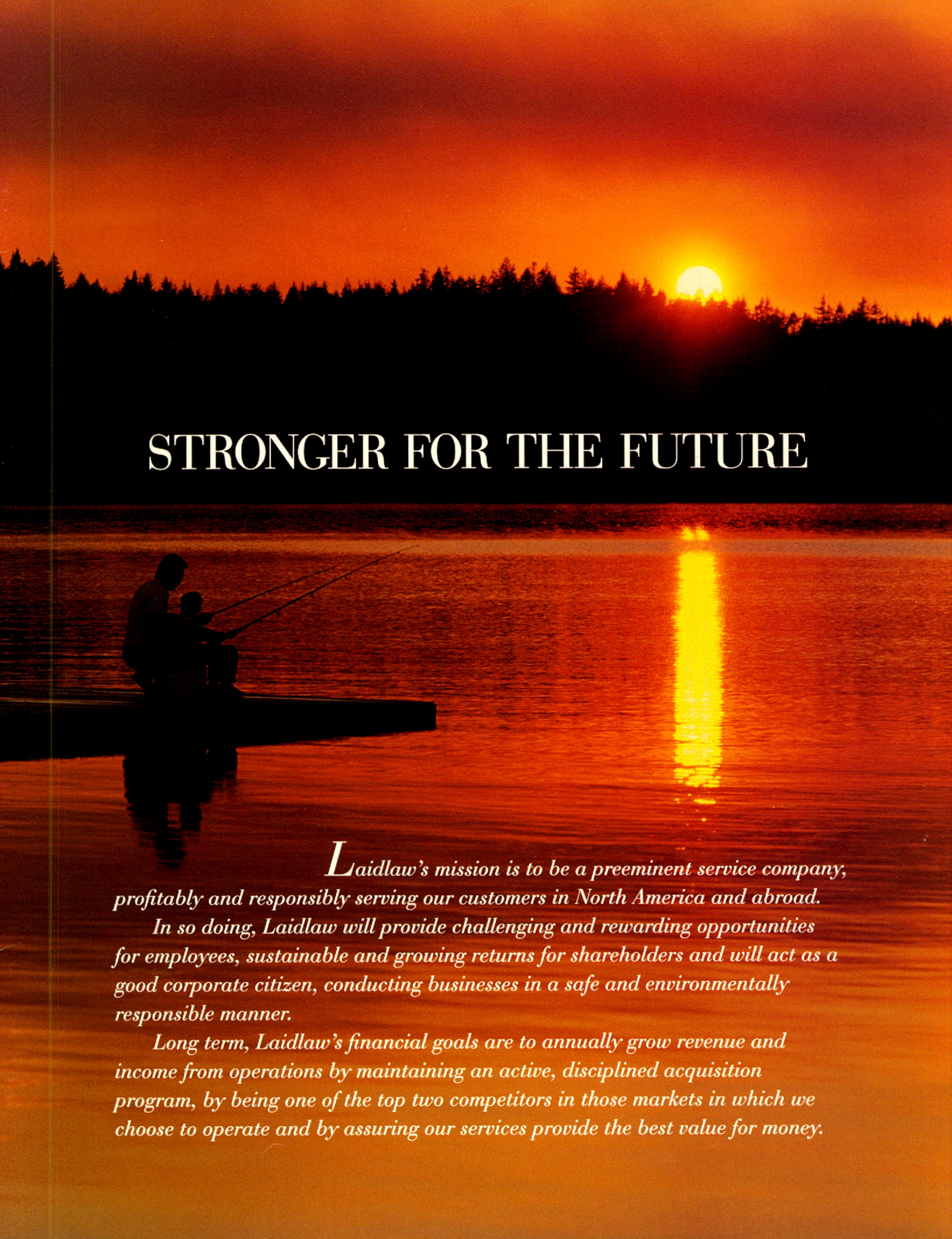
Laidlaw Inc.'s Annual Meeting will be held at 4:00 p.m., December 9, 1992 at the Royal York Hotel, Ballroom, 100 Front Street West, Toronto, Ontario, Canada.

FORM 10-K

A copy of the Company's Annual Report on Form 10-K for 1992 may be obtained without charge by writing to Laidlaw Inc.

VERSION FRANÇAISE

On peut se procurer la version française de ce rapport en faisant la demande auprès du service des communications, Laidlaw Inc.



STRONGER FOR THE FUTURE

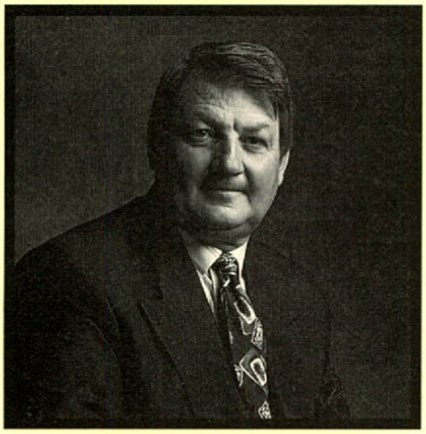
Laidlaw's mission is to be a preeminent service company, profitably and responsibly serving our customers in North America and abroad.

In so doing, Laidlaw will provide challenging and rewarding opportunities for employees, sustainable and growing returns for shareholders and will act as a good corporate citizen, conducting businesses in a safe and environmentally responsible manner.

Long term, Laidlaw's financial goals are to annually grow revenue and income from operations by maintaining an active, disciplined acquisition program, by being one of the top two competitors in those markets in which we choose to operate and by assuring our services provide the best value for money.

OPERATIONS SUMMARY

SOLID WASTE

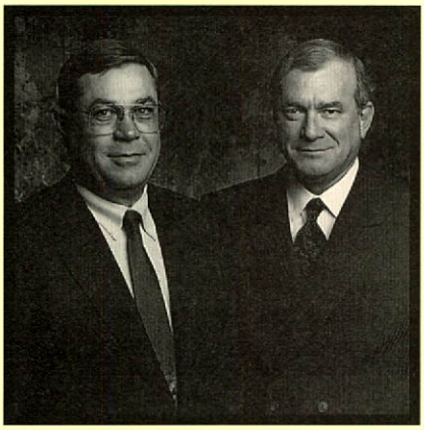


Kenneth L. Lyons, President and Chief Operating Officer

	1992	1991
Revenue ($ millions)	**$804.2**	$773.8
Income from Operations	**83.3**	92.6
Employees	**5,675**	6,070
Service Locations	**173**	184
States	**22**	22
Provinces	**7**	7
Materials Recovery Facilities	**14**	14
Collection Vehicles	**2,650**	2,740
Landfills		
U.S.	**32**	34
Canada	**11**	12
Available Capacity (millions of cu. yds.)	**150**	169

Laidlaw Waste Systems is the third largest, North American provider of recycling and solid waste management services to industry, commerce and municipalities. In addition to its base business of collection and disposal of solid wastes, the company pioneered the Blue Box system of recyclables collection, and annually provides up to 360,000 tons of newsprint under a long-term contract to Canadian Pacific Forest Products.

HAZARDOUS WASTE

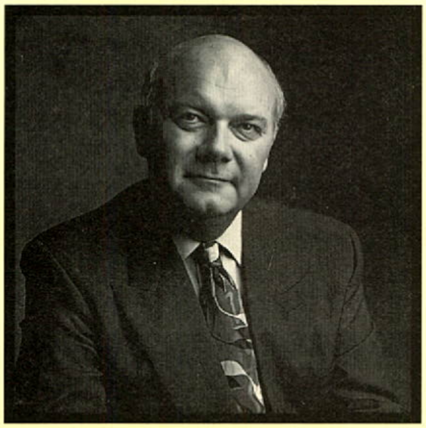


Presidents and Chief Operating Officers, U.S. and Canada, William E. Stilwell and Charles A. Lalonde

	1992	1991
Revenue ($ millions)	**$458.2**	$440.6
Income from Operations	**66.6**	70.5
Employees	**3,275**	3,500
Service Locations	**50**	49
States	**12**	12
Provinces	**6**	5
Incinerators	**3**	3
Annual Capacity (000 tons)	**178**	178
Landfills	**6**	6
Remaining Capacity (millions of cu. yds.)	**19.4**	18.5
Vehicles	**590**	585

Laidlaw Environmental Services is North America's second largest manager of hazardous waste for industry, governments and the public. Laidlaw's technology and geographic positioning are uniquely matched to its customer base, which generates both large and small volumes of waste for recycling, recovery, treatment and landfill.

PASSENGER SERVICES

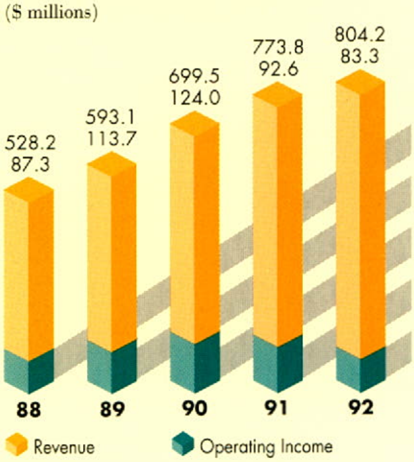


John R. Grainger, President and Chief Operating Officer

	1992	1991
Revenue ($ millions)	**$663.2**	$668.0
Income from Operations	**87.8**	83.8
Employees	**26,465**	26,800
Service Locations	**314**	305
States	**23**	23
Provinces	**5**	5
Vehicles		
School Bus	**20,250**	20,720
Transit and Other	**1,630**	1,635

Laidlaw Transit is the largest supplier of safe, reliable student transportation in North America. It also has a growing presence in the municipal passenger transportation market. In addition to providing its customers with student management and safety programs unique in the industry, the company has developed a strategic alliance with a market-leading provider of computer-assisted, vehicle routing services to maximize fleet efficiency.

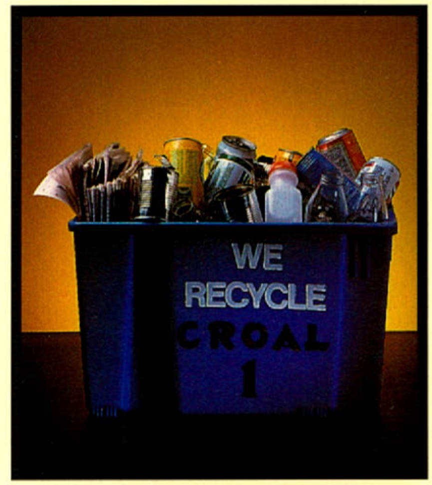
Revenue and Operating Income
($ millions)



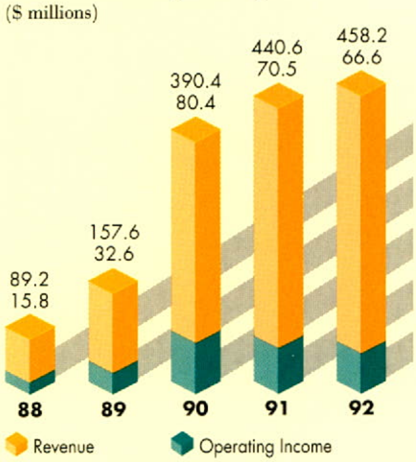
OUTLOOK

In response to changing customer needs, some related to the weak economy, Laidlaw is continuing its direction of becoming the best value-for-money service organization. This is being achieved through market-by-market strategic analysis and service redesign while selectively acquiring additional service capability.

The original Blue Box from Laidlaw's test marketing of the concept in 1981.



Revenue and Operating Income
($ millions)

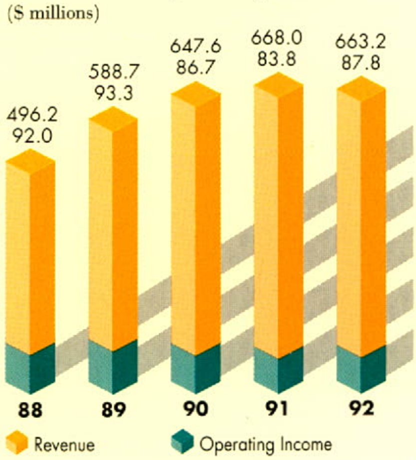


OUTLOOK

Large-volume industrial waste generators will continue to reduce volumes requiring off-site treatment or landfill as their own on-site capability increases. A weak economy will continue to pressure prices and volumes. Innovation at our service centers, permit expansion at landfills, customer service initiatives and strategic acquisitions will continue to build the business.

Laidlaw is uniquely positioned to serve both large and small-quantity generators.

Revenue and Operating Income
($ millions)



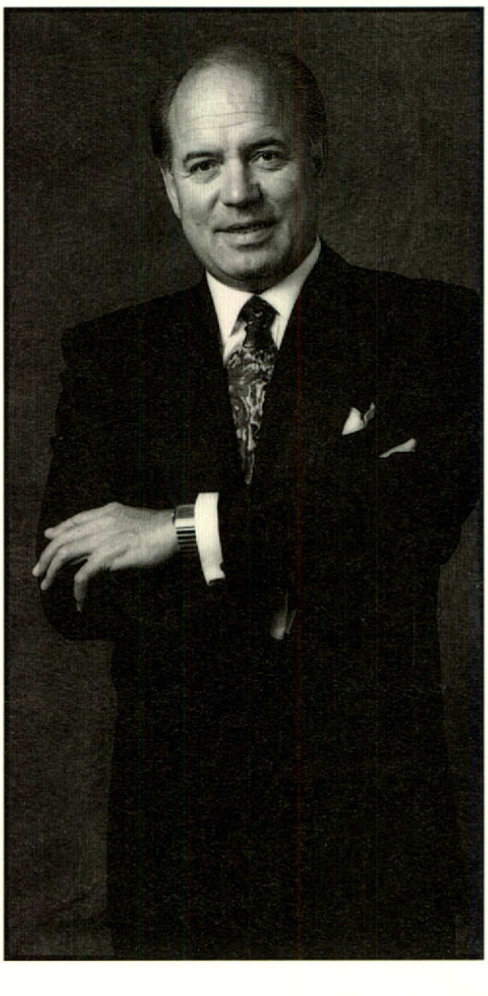
OUTLOOK

School boards continue to face funding pressures – a consequence of the recessionary economic conditions. Strategic acquisitions, increased service offerings, a shift toward public transit in response to air quality concerns and the increased potential to privatize publicly owned fleets offer opportunities for the organization.

The combination of quality maintenance and student safety training keep Laidlaw at the forefront of its transportation services market.

BUILDING STRENGTH AND BALANCE

Our quality asset base, improved balance sheet and enthusiastic, professional employees . . . make us a stronger and more balanced organization.



Donald K. Jackson
President and
Chief Executive Officer

Despite a weak economy which has lingered longer than expected, Laidlaw has made substantial progress during its fiscal 1992 year. As a result, we are a stronger and more balanced organization.

During the year, Laidlaw has moved from a defensive posture into a more active, offensive position. We have contained costs, permanently or temporarily closed selected operations, deferred capital expenditures where prudent, and reduced administration in all operations.

These initiatives not only address short-term needs but improve our long-term competitive position.

Each of the industries in which we operate has been affected by the anemic economic conditions in North America.

Laidlaw's income from continuing operations before unusual and extraordinary items increased seven percent to $138,492,000 from the $129,942,000 reported last year. Earnings per share were $0.52 compared with $0.51 for the 1991 fiscal year with an average of eight percent more shares outstanding.

Revenue increased slightly to $1,925,617,000 from the $1,882,426,000 reported for 1991.

We have improved the company's financial strength. In February, we issued 23,650,000 new class B common shares realizing $215.5 million. Our quality asset base, strengthening balance sheet and enthusiastic, professional employee complement led two major debt rating agencies to rate our first issue of $200 million in public debt, offered in August, investment grade. Proceeds from these issues were used to reduce and replace existing debt. Our debt equity ratio has improved from 0.90:1 at last year's end to 0.64:1 this year. Unused bank lines of credit stood at $914 million at year end. An indepth discussion is provided in the Financial Strength section on page 12.

Laidlaw's customers have had to cope with the economy and with threats to their own financial viability. School boards across North America saw their budgets constrained and revenues reduced. They took initiatives to cut their operating costs, including those associated with getting students to and from schools.

Waste volumes were reduced as our customers' businesses continued to be affected by the recession. They have also taken measures to actively reduce remaining volumes through recycling and minimization efforts.

These external influences and our customers' responses to them have given rise to demands for new services and higher expectations from those we now provide. Laidlaw is meeting these enhanced demands through a number of initiatives outlined in the Customer Service section of this report on page 8.

We have completed our operating management transition and strengthened our corporate abilities. Ken Lyons moved from his position as president of our passenger services organization to head our solid waste operations. John Grainger, formerly a senior vice president in passenger services, succeeded Ken to the presidency. Corporately, our competitive and technical strengths have been augmented with the appointments of Glenna Carr, formerly a senior manager at the deputy minister level in the Ontario public service, as Vice President Corporate Affairs and by the appointment of Donald Schwieg, Ph.D., formerly General Manager, Technologies, as Vice President, Technology.

We have unified our North American hazardous waste operations into a single continental organization. This structure will allow us to better serve markets in Canada, the United States and Mexico. Bill Stilwell, president of our former U.S. Environmental Services unit is now responsible for

FINANCIAL HIGHLIGHTS

(U.S. $000's – except per share data)

Year Ended August 31	1992	1991	% Change
Revenue	**$1,925,617**	$1,882,426	2
Income*	**138,492**	129,942	7
Cash from Operations	**351,341**	404,488	(13)
Per share:			
Income*	**0.52**	0.51	2
Dividends ($ Cdn)	**0.16**	0.31	(48)
August 31			
Working Capital	**174,406**	204,028	(15)
Long Term Debt	**1,260,892**	1,507,552	(16)
Shareholders' Equity	**1,959,954**	1,682,063	17
Debt/Equity ratio	**0.64:1**	0.90:1	N/A
Average Shares Outstanding (000's)	**266,034**	246,734	8

*From continuing operations before unusual items (note 11) the reorganized business unit.

In Italy, we have identified an attractive acquisition candidate specializing in environmental technology. This organization would complement our hazardous waste operation in Norway and our solid waste activities in Belgium.

Chuck Lalonde, formerly responsible for hazardous waste operations in Canada has been appointed President, European Operations and Development.

We have continued to acquire quality service companies. Passenger services added 1,000 school buses and 140 municipal transit vehicles to their fleets. Our Canadian hazardous waste group now operates coast-to-coast, a consequence of an acquisition in Eastern Canada.

Although ADT Limited and Attwoods plc have been affected by economic conditions, their results have met our expectations. ADT has made substantial progress in disposing of its non-core businesses. All seats on its board of directors have been filled. With the listing of its shares on the New York Stock Exchange the company is reporting its results quarterly.

In South Carolina, the government has accepted our position that the Pinewood landfill has the capacity to operate for at least another 12 years at current rates of usage. Laidlaw has agreed to increase its financial assurances to the state and establish an offsetting trust fund financed by future user fees.

In the same spirit of co-operation, we are working with the government of Quebec to determine how best to remove remnants of former waste storage lagoons at our site in Ville Mercier.

As executives and shareholders of Laidlaw, we emphasize that situations like these can periodically arise in the environmental service industry as public expectations increase and government policies change in response. Laidlaw will continue to demonstrate its desire to work as partners with its customers and regulators. We will continue to seek equitable resolutions of differences, which are in the best interests of all concerned.

Looking forward to our 1993 fiscal year we see little change in the economic conditions now prevailing. We do, however, expect profit improvement resulting from strategic and operational intensity, organizational realignment and renewed acquisition focus in 1993.

Our thanks go to Laidlaw's 35,500 employees for their on-going commitment during the year.

In summary, we have substantially strengthened our businesses during 1992. With strong leadership in place, an increased emphasis on customer service and costs under tight control, Laidlaw is stronger for the future.

Sincerely,

DONALD K. JACKSON
President and Chief Executive Officer

PETER N.T. WIDDRINGTON
Chairman of the Board

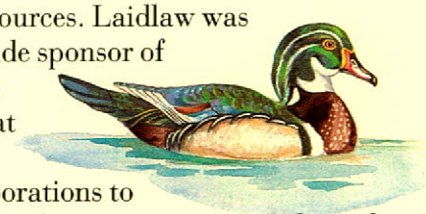
LAIDLAW AND THE ENVIRONMENT

An informed public is essential if viable environmental protection initiatives are to succeed. Laidlaw is doing its part to provide public education. "Earth Academy" is a multi-media information program which shows how our consumer lifestyles generate waste. Developed for audiences from kindergarten to college, the Earth Academy program explains the hierarchy of sound waste management practices from recycling to disposal. The program is designed as a teaching aid for Laidlaw managers to use in classrooms and as a focal point for discussions with community groups. Since its inception, Earth Academy has been seen by some 40,000 people of all ages in Laidlaw's host communities.

Eight years in development, Trinity 2000 is Laidlaw's proposal for an environmental complex in Fort Worth, Texas. Components of the project are a 48 million cubic yard landfill, a materials recovery facility to process recyclables, gas recovery systems to collect and convert methane generated by the landfill into energy and the creation of 70 acres of wetland habitat. The site is bounded by two creeks and the Trinity River. Part of the area had been used for municipal garbage disposal for thirty years, beginning in the 1940s.

Laidlaw's development will remove the old, unlined landfill and construct a new fill to modern regulatory standards. We will gain twenty years of new capacity designed, constructed and monitored to the state-of-the-art. Trinity 2000 replaces an environmental hazard with an aesthetically pleasing, environmentally sound asset for the community.

Contrary to impressions left by some detractors, Laidlaw's presence in its host communities is appreciated. In South Carolina, where our eastern U.S. secure landfill and incinerator are located, Laidlaw was named Corporate Conservator of the Year by the South Carolina Waterfowl Association. The award recognizes Laidlaw's dedication to conservation and enhancement of South Carolina's wetland wildlife resources. Laidlaw was the first state-wide sponsor of the association's Adopt-A-Habitat program which encourages corporations to sponsor wetland enhancement projects throughout the state. Laidlaw's support played an integral part in an estimated 50,000 wood duck hatchings last season.



In Sarnia, Ontario, the major petrochemical production center in eastern Canada, the Sarnia Lambton Chamber of Commerce presented Laidlaw with an Outstanding Business Achievement Award. Laidlaw was recognized for its economic, social and environmental contributions to the community.

Our internal environmental audits of our waste management and passenger services facilities provide assurance of compliance with regulation for the protection of employees, customers and communities. Laidlaw also has reviews of our audit process conducted by respected external experts.

Laidlaw has joined several other leading North American industrial companies in funding the work of the Solvents in Groundwater Research Consortium. Based at the University of Waterloo, in Ontario, the consortium's groundwater scientists are at the leading edge of finding solutions to stubborn and complex groundwater contamination caused by solvents at hundreds of industrial sites worldwide.

We believe our environmental policy reflects public and customer expectations. These few examples illustrate how community acceptance and security for employees and customers is being strengthened by adherence to these sound, environmental business principles.

UNDERSTANDING CUSTOMERS' NEEDS

In the current slower-growth economic climate, customers of all kinds are searching for more value in the services they purchase. They are looking for suppliers they can trust, with whom they can be true partners in getting the job done; they want the cost of service to be controlled and they want no administrative annoyances. In short, best value-for-money is the main determinant of quality in the minds of customers and it is the key to our success.

LISTENING TO CUSTOMERS

We've measured our services against those of competitors, designed innovative cost controls for customers and provided them education and training. We've been redefining service and reeducating ourselves to meet the new, different and higher demands of the market.

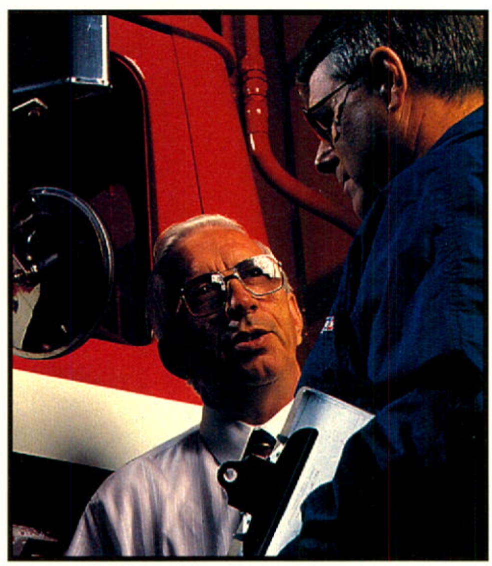
We've improved our understanding of customer expectations by formally listening to their ideas.

Passenger services has instituted a series of half-day, customer satisfaction audits. Local managers meet with their school boards, administrators, teachers, principals and with parents of students we carry. We ask "How are we doing?" and do our best to implement suggestions.

Our environmental service businesses are designed to reduce risk for customers, employees and communities. Eighty-one percent of customers surveyed ranked Laidlaw's hazardous waste management service as "excellent", a fourteen-point lead over the nearest competitor. It is Laidlaw's financial strength which assures customers that their wastes will receive the highest quality management.

BUILDING ALLIANCES

Creating strategic alliances with suppliers to our customers is another technique for increasing service links and expanding our business.



Paul Cooke, Vice President, Customer Service Systems Development and Bob Lindloff, Maintenance Manager at Laidlaw Waste Systems' Toronto West division, are piloting an education program to enhance employees' awareness of their roles as internal service providers.

Laidlaw's medical, solid and hazardous waste managers have developed an alliance with the major supplier of single-use plastic products to hospitals. This environmentally sensitive company wants to assure its products are recycled. Through the alliance, hospitals are provided with audits which determine how best to segregate wastes into recyclable, solid, hazardous and medical waste components. Laidlaw, through internal joint ventures among our service groups, provides all the services required to safely manage each of these components or "waste streams".

Passenger Services has allied with a company specializing in providing school administrations with computer-assisted student management programs. This alliance provides Laidlaw with the new service capability of maximizing fleet efficiency, thereby helping our customers better manage their costs.

IMPROVING SERVICE

Service levels for solid waste customers are being raised through the installation of a customer-designed, electronic data base and invoicing system. Customer files, containing the details of Laidlaw's service agreements – container inventory, routing, sales and invoicing – are now instantly available, on line, to dispatchers and customer service staff. Operating efficiency is enhanced while customers receive timely, more informative and understandable invoices.

Technology, regulation, customer needs and strategic planning come together in the siting and development of new, customer-responsive facilities. In Denver, Colorado, we have expanded our municipal solid waste landfill by 60 percent. The complex is the first in the state to meet new federal environmental regulations. Its design and the technology applied will reduce construction costs, extend the life of the site to 20 years and thus contribute to our ability to be the best value-for-money service provider in that market.

Filling a need in western Canada and the U.S. Northwest, a multi-capability service center is now operating on the outskirts of Vancouver. Innovatively designed to produce a variety of products from incoming industrial wastes, the center is capable of blending industrial fuels, recycling

paint and preparing waste for further treatment or incineration. This service center is a first in the economically expanding region. It is a standard setter, serving large and small quantity industrial generators and a regional base for Laidlaw's household hazardous waste collection programs.

Laidlaw is ideally positioned to provide environmental services to large, North American customers whose production facilities are located in all three countries.

Several of our treatment and disposal facilities in Canada and the United States are strategically located near the two international borders and are linked to customers through the most complete network of hazardous waste service centers on the continent.

Student safety depends not only on Laidlaw's equipment, maintenance and professional drivers, but on passengers themselves. Cleveland Fleming involves part of a Buffalo, New York class in behavior training using Laidlaw's unique safety awareness training system.

THE PROCESS OF SECURITY

Laidlaw recognizes the value inherent in applying technology to safely solve the problems of managing wastes. Appropriate technology, properly managed, offers the highest level of environmentally sound waste management. Ideally, hazards are dramatically reduced, volumes of waste are minimized and landfill space is conserved. In some applications, cost offsets – in the form of energy or recyclable products – are created.

Laidlaw's technological solutions have been applied in several ways to manage municipal solid waste at our recycling facilities, through the operation of waste-to-energy plants and in the development of large-scale aerobic composting facilities.

Managing hazardous wastes – byproducts of petroleum and chemical usage or generated during medical procedures – has historically required advanced technology.

In the transportation sector, continuous improvement in engine design and fuel composition has lowered fuel consumption and exhaust emissions.

Before a technology is adopted by Laidlaw, it must pass the test of providing enhanced economic, social, customer service and environmental benefits.

As societies increase their focus on protecting the natural environment – demanding the reduction, reuse or recycling of wastes – the role of technology increases in response.

Laidlaw's technology-based responses to its customers and the public are aimed at reducing environmental and health risks, while generating useful products where feasible.

Laidlaw's South Carolina liquid-injection incinerator underwent major capital improvements during 1992.

COMPOSTING

In Brecht, Belgium, Laidlaw – in joint venture with Organic Waste Systems N.V. of Antwerp – has brought new technology into commercial production. It is a unique, anaerobic composting and energy-production facility.

This DRANCO™ technology is designed to rapidly compost wet, organic household kitchen and garden wastes along with non-recyclable paper. A major advantage of the technology is the speed at which it can reduce waste to compost – in about one-third the time required by conventional processes. It captures methane gas generated in the process, which then fuels an internal combustion engine coupled to a power generator. Surplus electricity produced is sold to the public grid.

Laidlaw provided project financing and technological assistance in the form of our process risk reduction technique.

INCINERATION

Demonstrating its market leadership, Laidlaw has designed Canada's first commercial, private-sector-owned, rotary kiln incinerator. Capable of safely destroying 22,000 tons of solid hazardous waste annually, the technology represents the apex of the waste management hierarchy.

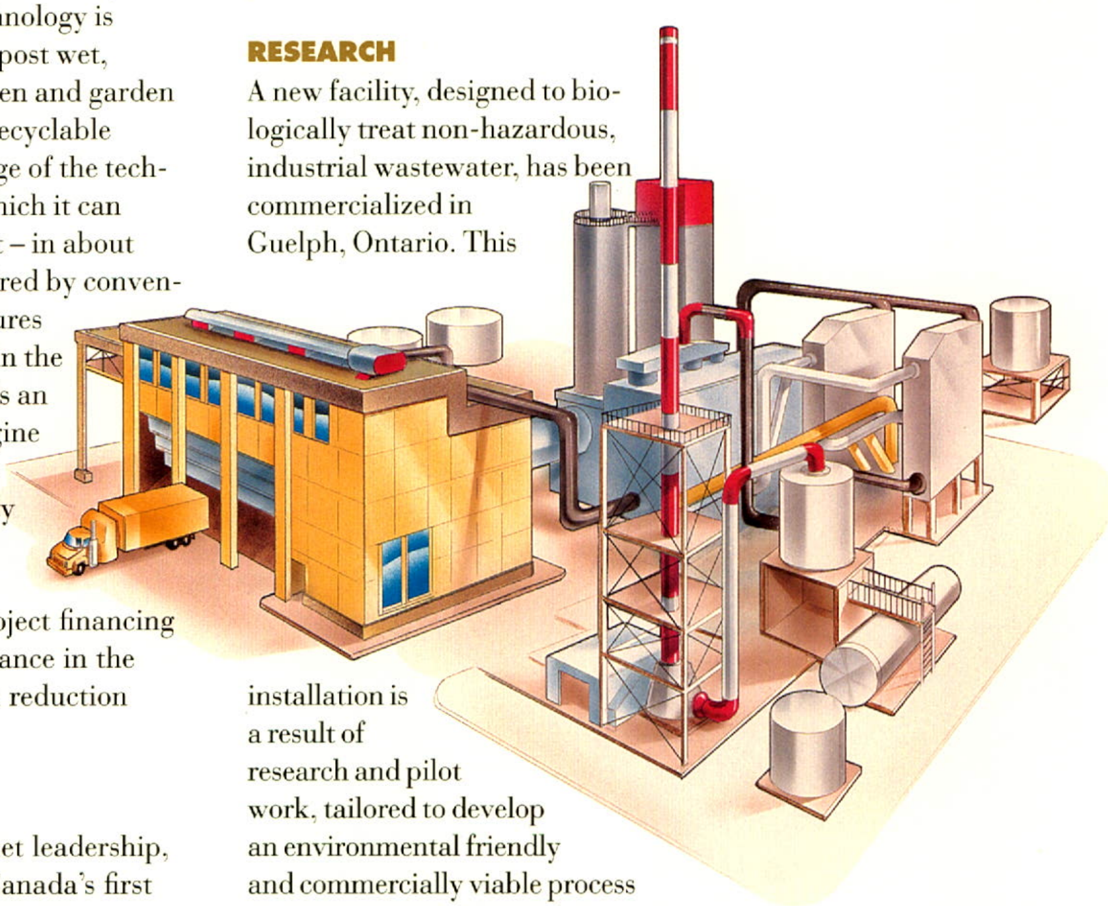
Four years in the research and design phase, the system is now moving through final regulatory approvals and may be available to the market by 1995. Capital investment is estimated at $50 million. The kiln will be located at Laidlaw's Lambton County, Ontario environmental complex adjacent to one of our three North American liquid injection incinerators. Residue from the kiln will be disposed of in the secure chemical landfill in the same complex. This technology satisfies a need for the destruction of several waste types for which no option is currently available in Canada's most populous province.

RESEARCH

A new facility, designed to biologically treat non-hazardous, industrial wastewater, has been commercialized in Guelph, Ontario. This installation is a result of research and pilot work, tailored to develop an environmental friendly and commercially viable process for the treatment of organic wastes. Through the application of biological digestion, the process employs naturally occurring bacteria, similar to that used in municipal treatment plants, to treat these waste streams. Successful application of this technology depends on proprietary processes to prepare the waste prior to biological treatment. Further post-treatment systems polish the effluent prior to sewer discharge.

With ever tighter sewer discharge criteria placed on waste generators, this facility acts as a central treatment alternative.

On an international scale, the direction of regulation continues to focus on the protection of the world's water supplies. This application of nature to biologically treat industrial wastes is one step in the attainment of this goal.



A rotary kiln incineration system would annually be capable of safely destroying 22,000 tons of solid hazardous waste.

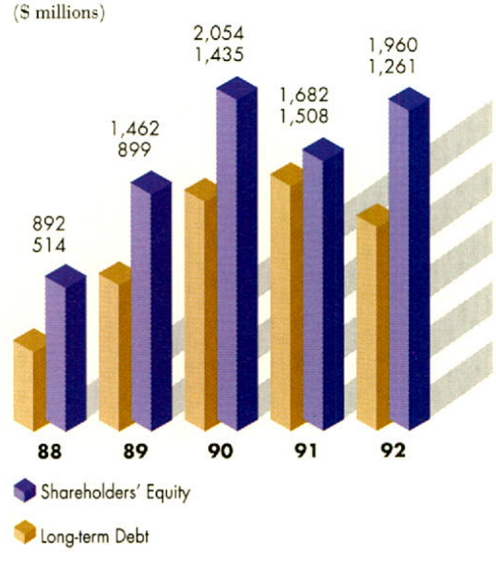
Laidlaw has solid financial resources:

- *Debt/equity ratio is 0.64:1*
- *Committed unused bank credit facilities are $914 million*
- *Credit ratings are expected to continue at investment grade level*
- *Demonstrated ability to access debt and equity capital markets*

MANAGING CAPITAL RESOURCES

Laidlaw has always been known for its financial strength and its ability to generate profitable growth. That tradition has been severely tested by the economic conditions which much of the world has faced during the past two years. Even the weakness in the Canadian dollar, while a boon to Canadian exporters, reduced our fourth quarter revenue from Canadian operations in fiscal 1992 by four percent. However, Laidlaw has emerged stronger for having successfully faced the challenges brought by the volatility in profits and in growth opportunities.

Capitalization
($ millions)



The ability to maintain and expand our revenue stream, during a period when many organizations are facing significant reductions, demonstrates the financial strength of the company and the stability of its industry segments. This resilience is important in enabling us to expand our services and continue to provide the quality of service our customers expect and demand. For expansionary purposes, we are well positioned to avail ourselves of opportunities to participate in strategic alliances, explore, develop and adopt new technologies and expand into attractive geographic areas.

INVESTMENT

From an operating perspective, our financial strength is important to each of our business segments. In fiscal 1992, a period of capital conservation for Laidlaw, we still invested more than $200 million which included both replacement capital to maintain our operating assets and capital for expansion and improvements to our treatment facilities and landfills. These investments will accommodate future growth. In a period when acquisition activity has generally been reduced, we acquired 19 companies valued at more than $40 million. For example, we expanded our Canadian hazardous waste business from coast to coast and now operate in eight provinces. Many of these investments are, by their nature, long-term; they require the ability to invest funds on which satisfactory returns may not be generated for some time.

These expenditures, for both capital investment and acquisitions, of more than $250 million were financed completely by the $350 million of cash provided by operating activities. Cash from operations in fiscal 1992 is slightly lower than in the prior year, primarily attributable to the suspension of dividends by ADT Limited. However, for the third year running, Laidlaw has successfully generated operating cash flow in excess of $350 million as a result of the counteractive measures taken to manage in these turbulent times of rapidly changing economic conditions.

We closely monitored working capital requirements. In a year when many of our industrial and commercial customers ceased operations and municipalities and school boards faced severe budget constraints, our accounts receivable days sales outstanding improved to 53 days and bad debt expense actually declined.

FINANCINGS

Complementing this improved operating and cash management performance, we also took two steps to strengthen our balance sheet. As previously described, our equity issue in February 1992 was well received and generated $215 million. This equity infusion and strong operating cash flow enabled the company to reduce its debt/equity ratio from 0.90:1 to 0.64:1 and improve its interest coverage. In August 1992, the company accessed U.S. public debt markets for the first time and issued 7.70% debentures due August 15, 2002 for proceeds of $200 million. This issue positions Laidlaw to access a new source of public, long-term financing, improves our flexibility of capital resources and increases the average term to maturity of the company's debt.

DIVIDENDS

As part of our prudent cash conservation strategy, the quarterly common stock dividend was halved in October 1991 to Cdn $0.04. This action resulted in a $36 million savings in cash flow on an annual basis.

CONCLUSION

We maintain our commitment to continue to improve the financial strength of the company. By so doing, we position ourselves to take advantage of investment opportunities for superior returns and sustainable growth within our strategic businesses which will provide enhanced shareholder value.

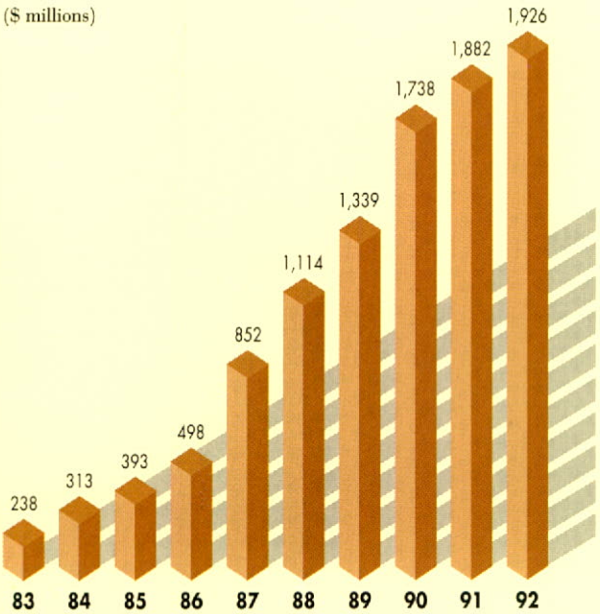
TEN YEAR FINANCIAL REVIEW

(U.S. $000's omitted except per share amounts)

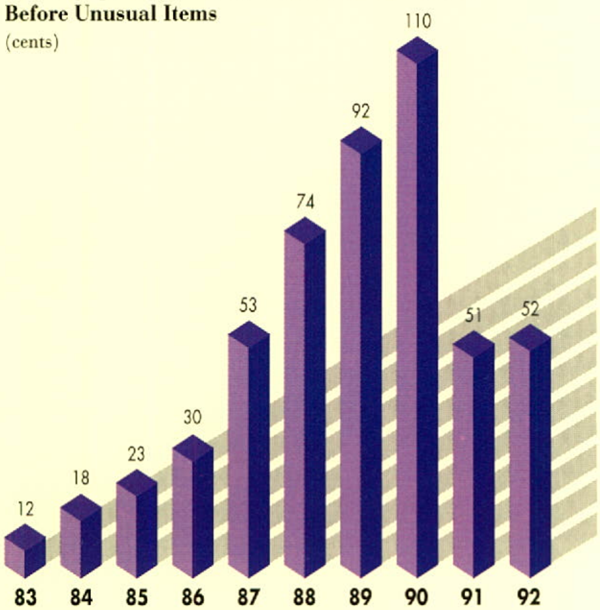
	1992	1991	1990
Operating results – continuing operations			
(year ended August 31)			
Revenue	$1,925,617	$1,882,426	$1,737,517
Income from continuing operations before unusual items	138,492	129,942	265,478
Operating profit margin	12.3%	13.1%	16.8%
Net profit margin (from continuing operations before unusual items)	7.2%	6.9%	15.3%
Cash from continuing operating activities before financing working capital	$ 351,341	$ 404,488	$ 409,440
Net capital expenditures	234,574	383,546	750,236
Financial position			
(as at August 31)			
Working capital	$ 174,406	$ 204,028	$ 222,531
Long-term debt	1,260,892	1,507,552	1,434,543
Shareholders' equity	1,959,954	1,682,063	2,053,867
Total assets	3,658,935	3,595,316	3,894,939
Class A and Class B Non-Voting Shares			
(year ended August 31)			
Earnings per share from continuing operations before unusual items (Note 11)	$0.52	$0.51	$1.10
Dividends paid (in Canadian dollars)			
– Class A shares (Cts.)	16.0	31.0	27.0
– Class B shares (Cts.)	16.0	31.0	27.0
Market price (as at August 31, in Canadian dollars)			
– Class A shares	$10.00	$13.13	$21.50
– Class B shares	10.00	13.13	21.25
Net return on average common shareholders' equity (before unusual items)	7.5%	6.1%	15.1%
Shares outstanding			
(as at August 31)			
– Class A shares	47,632,092	47,632,092	47,632,092
– Class B shares	229,555,668	205,703,811	191,423,435

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.

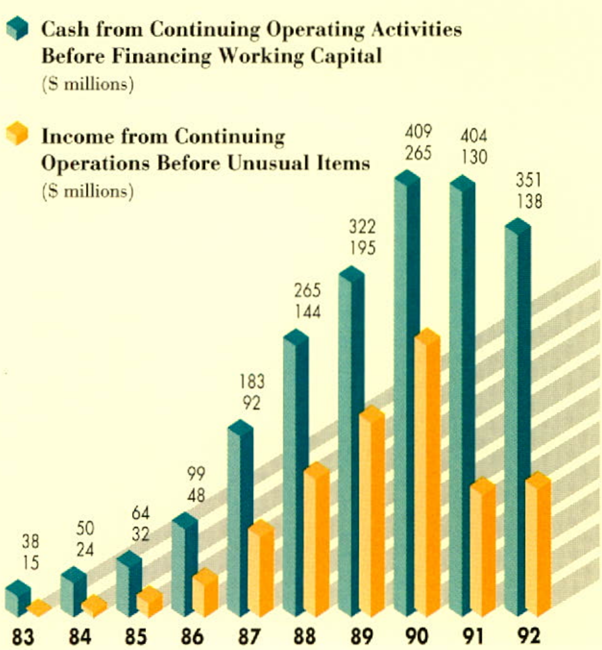
Revenue
($ millions)

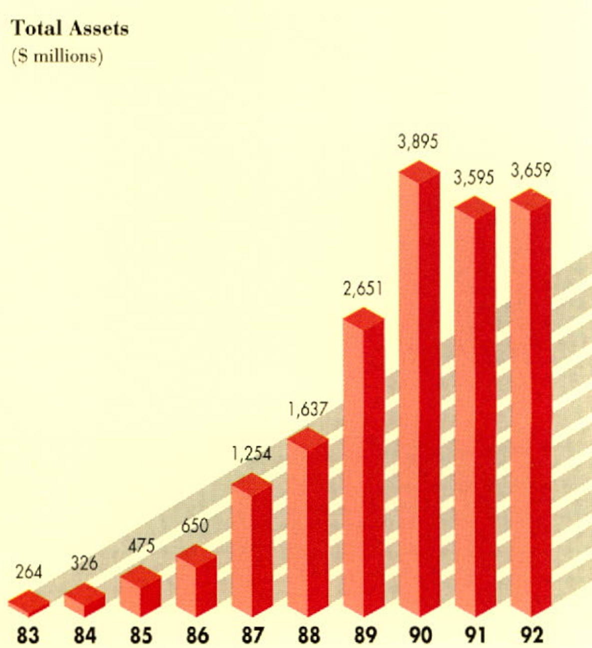


Earnings per Share from Continuing Operations Before Unusual Items
(cents)



1989	1988	1987	1986	1985	1984	1983
$1,339,396	$1,113,636	$ 851,896	$497,662	$393,078	$313,201	$238,453
195,404	144,185	92,022	48,063	32,321	23,857	15,092
17.9%	17.5%	16.2%	15.2%	16.7%	17.7%	15.5%
14.6%	12.9%	10.8%	9.7%	8.2%	7.6%	6.3%
$ 322,413	$ 264,545	$ 183,479	$ 98,794	$ 63,971	$ 50,073	$ 37,620
465,658	436,808	592,454	173,092	124,876	63,240	67,583
$ 68,405	$ 94,212	$ 99,848	$121,769	$ 90,905	$ 10,847	$ (2,921)
899,012	514,036	180,201	137,650	112,028	67,598	70,425
1,462,194	891,630	847,867	372,701	243,295	130,218	80,192
2,651,276	1,636,927	1,254,173	650,357	474,522	326,450	264,128
$0.92	$0.74	$0.53	$0.30	$0.23	$0.18	$0.12
23.0	18.5	12.0	7.7	6.5	4.0	2.8
23.0	18.5	12.0	7.7	6.5	4.0	3.0
$19.63	$16.50	$22.50	$10.00	$6.83	$3.58	$2.92
19.25	15.50	21.50	9.56	6.72	3.50	2.83
19.0%	20.5%	22.4%	23.5%	21.9%	21.4%	21.2%
47,632,092	47,632,092	47,632,092	47,632,092	47,632,092	47,632,092	47,632,092
170,708,039	141,855,882	128,293,098	102,907,530	89,407,530	89,407,530	70,125,030





Items in the Consolidated Statements of Income for the three years ended August 31, 1992 as a percentage of total revenue and the percentage changes in dollar amounts of the items compared to the previous year are as follows:

	Percentage of Revenue			Percentage Increase (Decrease)		
	Year Ended August 31					
	1992	1991	1990	Year 1992 Over 1991	Year 1991 Over 1990	Year 1990 Over 1989
Revenue	100.0%	100.0%	100.0%	2.3%	8.3%	29.7%
Operating expenses	67.6	66.8	65.5	3.4	10.5	29.1
Selling, general and administrative expenses	7.9	8.6	6.9	(6.0)	34.1	51.5
Depreciation and amortization	12.2	11.5	10.8	8.9	15.2	35.4
Income from operations	12.3	13.1	16.8	(3.7)	(15.2)	21.5
Interest expense	(6.3)	(7.1)	(6.5)	(8.3)	17.8	85.3
Interest, dividend and other income	0.7	1.4	2.0	(47.7)	(26.3)	4.2
Equity in earnings of associated companies	2.1	0.9	5.5	127.5	(81.7)	423.6
Income from continuing operations before unusual items and income taxes	8.8%	8.3%	17.8%	7.4	(49.1)	33.9

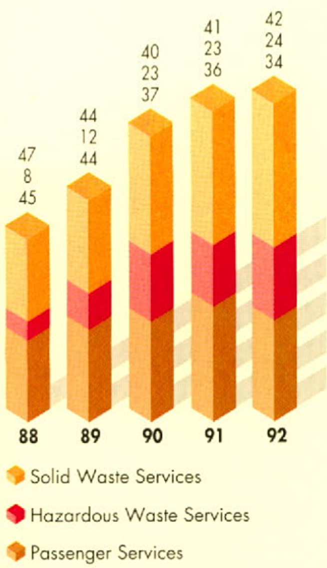
Revenue
The sources of revenue by business segment are as follows ($000's omitted):

Year Ended August 31	1992		1991		1990	
Solid waste services	$ 804,231	41.8%	$ 773,809	41.1%	$ 699,536	40.2%
Hazardous waste services	458,150	23.8	440,639	23.4	390,367	22.5
Passenger services	663,236	34.4	667,978	35.5	647,614	37.3
	$1,925,617	100.0%	$1,882,426	100.0%	$1,737,517	100.0%

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

	Percentage Increase (Decrease)		
	Year 1992 Over 1991	Year 1991 Over 1990	Year 1990 Over 1989
Expansion of customer base by acquisition			
Solid waste services	1.8%	3.9%	4.7%
Hazardous waste services	1.8	3.7	13.3
Passenger services	0.9	0.4	2.1
Subtotal	4.5	8.0	20.1
Other expansion primarily through volume and price changes			
Solid waste services	—	0.2	2.9
Hazardous waste services	(0.8)	(0.8)	4.1
Passenger services	(1.0)	0.6	2.1
Subtotal	(1.8)	—	9.1
Foreign exchange rate changes			
Solid waste services	(0.2)	0.2	0.3
Hazardous waste services	(0.1)	—	—
Passenger services	(0.1)	0.1	0.2
Subtotal	(0.4)	0.3	0.5
Total	2.3%	8.3%	29.7%

Revenue by Business Segment
(percent)



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

	Percentage Increase (Decrease)		
	Year 1992 Over 1991	Year 1991 Over 1990	Year 1990 Over 1989
Solid waste services			
Acquisitions	**4.4%**	9.7%	10.7%
Other, primarily through volume and price changes	**—**	0.4	6.7
Foreign exchange rate changes	**(0.5)**	0.5	0.6
Total	**3.9%**	10.6%	18.0%
Hazardous waste services			
Acquisitions	**7.5%**	16.2%	113.0%
Other, primarily through volume and price changes	**(3.2)**	(3.5)	34.6
Foreign exchange rate changes	**(0.3)**	0.2	—
Total	**4.0%**	12.9%	147.6%
Passenger services			
Acquisitions	**2.6%**	1.1%	4.8%
Other, primarily through volume and price changes	**(2.9)**	1.6	4.7
Foreign exchange rate changes	**(0.4)**	0.4	0.5
Total	**(0.7)%**	3.1%	10.0%

In 1992, the growth in revenue, in the solid waste and hazardous waste management services segments, was attributable to the acquisition of assets and businesses. Acquisitions also helped to moderate the decline in revenues in the passenger services segment. The absence of growth in revenue from volume and price changes in solid waste management services is due to a number of factors. The recessionary North American economy resulted in continued competitive pressure on prices particularly in Michigan, Ohio and New England. While hauling volumes remained relatively level with the prior year, volumes to landfills were affected by the lack of growth in industrial output and recycling. The impact of these factors on the segment's revenues was partially offset by increased revenue from new materials recovery facilities. The decline in hazardous waste management services revenues from volume and price changes is also primarily a function of the weakness in the economy. In California, production cutbacks, especially in the oil refining and defense industries, have resulted in lower volumes of hazardous waste for both treatment and landfill. In central Canada, the weakness in the manufacturing sector has similarly impacted the segment resulting in product mix changes and significant price erosion. Revenue growth in the passenger services segment from volume and price changes was affected by school funding cutbacks and the intentional loss of marginally profitable contracts. Price increases on successfully rebid and new contracts partially offset the volume reductions from route revisions and lost contracts.

In 1991, the principal component of the increases in revenue from acquisitions, in both the solid waste and hazardous waste services segments, was attributable to the additional contribution of approximately $85 million from Tricil Limited which was included in the 1990 results for only eight months. The minimal revenue growth in the solid waste services segment and the absolute decline in revenue in the hazardous waste services segment from volume and price changes are attributable to a number of factors: the reduction in commercial and industrial waste volumes due to the economic recession, particularly in the northeastern United States, pressure on pricing as non-residential customers try to reduce operating costs during the recession, and increased emphasis on recycling which has diverted waste from transfer and landfill operations. The passenger services segment revenue growth was reduced due to the loss of marginal contracts, the recessionary effects in Western Canada, and reduced expenditures by school boards on extracurricular activities.

In 1990, the principal component of the increases in revenue from acquisitions, in both the solid waste and hazardous waste services segments, was attributable to the contribution of approximately $150 million from Tricil Limited which was acquired December 29, 1989.

Acquisitions by segment (excluding the purchase of assets and customer lists of small operations readily absorbed into existing operations) and the approximate aggregate annualized revenue acquired as at the dates of acquisition are as follows ($000's omitted):

	Number of Acquisitions		
Year Ended August 31	1992	1991	1990
Solid waste services	7	25	27
Hazardous waste services	2	4	9
Passenger services	10	6	6
	19	35	42

	Annualized Revenue (Approximate)		
Year Ended August 31	1992	1991	1990
Solid waste services	$11,000	$ 53,000	$137,000
Hazardous waste services	5,000	53,000	182,000
Passenger services	26,000	13,000	24,000
	$42,000	$119,000	$343,000

The 1990 acquisitions included Tricil Limited, which had hazardous waste and solid waste services operations with annualized revenue of approximately $160 million and $65 million, respectively. Approximately 60% of this revenue was generated from the Canadian operations.

Revenue and growth in revenue from geographic components are as follows ($000's omitted):

	Revenue						Growth Rates		
	Year Ended August 31								
	1992		1991		1990		Year 1992 Over 1991	Year 1991 Over 1990	Year 1990 Over 1989
U.S.A.	$1,332,629	69.2%	$1,329,329	70.6%	$1,259,786	72.5%	0.2%	5.5%	23.7%
Canada	592,988	30.8	553,097	29.4	477,731	27.5	7.2	15.8	48.8
	$1,925,617	100.0%	$1,882,426	100.0%	$1,737,517	100.0%	2.3	8.3	29.7

The increase in Canadian revenue in both 1991 and 1990 was primarily attributable to the Tricil Limited acquisition.

Income from operations, cost of operations and operating profit margins

Income from operations and growth rates from segment components are as follows ($000's omitted):

	Income From Operations						Growth Rates		
	Year Ended August 31								
	1992		1991		1990		Year 1992 Over 1991	Year 1991 Over 1990	Year 1990 Over 1989
Solid waste services	$ 83,258	35.0%	$ 92,553	37.5%	$124,039	42.6%	(10.0)%	(25.4)%	9.1%
Hazardous waste services	66,611	28.0	70,514	28.6	80,436	27.6	(5.5)	(12.3)	146.4
Passenger services	87,827	37.0	83,767	33.9	86,724	29.8	4.8	(3.4)	(7.0)
	$237,696	100.0%	$246,834	100.0%	$291,199	100.0%	(3.7)	(15.2)	21.5

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 87.7% in 1992, compared with 86.9% in 1991, and 83.2% in 1990.

In 1992, the increase in operating costs as a percentage of revenue was primarily the result of recession induced volume reductions resulting in the under-utilization of our waste management services' assets and facilities, and decreased selling prices for the Company's waste management services in some areas, partially offset by cost control programs in both operating and selling, general and administrative areas. Depreciation and amortization expense increased as a percentage of revenue primarily as a result of the effect of the continuing recession on volume and prices in the hazardous waste management services segment.

In 1991, the increase in operating costs as a percentage of revenue was primarily the result of recessionary pressures, principally in the waste management services segments, on price and volume increases as well as absolute increases in the cost of fuel, labor, disposal, and bad debts. In addition, rapid turnover of customers occurred in certain areas of the solid waste services segment, which resulted in increased costs to maintain customer population and service levels.

In 1990, the increase in operating costs as a percentage of revenue in the waste services segment was primarily attributable to increased disposal costs as a percentage of revenue and to the acquisition of Tricil Limited which had lower margins than the Company's other waste services operations. The passenger services operating costs continued to increase as a result of significant increases in bus driver wages, recruitment and training costs as unemployment continued to be very low in certain areas in which the Company operated.

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

Year Ended August 31	1992	1991	1990
Solid waste services	10.4%	12.0%	17.7%
Hazardous waste services	14.5	16.0	20.6
Passenger services	13.2	12.5	13.4
Consolidated	12.3	13.1	16.8

The operating profit margin for the solid waste management services has decreased to 10.4% in 1992 from 12.0% in 1991 primarily as a result of the continuing recession in North America that was first experienced by the Company during the second fiscal quarter last year. Recession-induced reductions in volumes have resulted in both the hauling and landfill divisions of the solid waste services segment being forced to maintain or lower prices in order to remain competitive. Equipment handling and selling costs have increased as a result of customers' demands for reduced, less costly and alternative services. These factors have resulted in significant erosion of the Company's profit margins in these areas. In 1991, the operating profit margin for the solid waste services segment decreased to 12.0% from 17.7% in 1990 as a result of many of the factors noted above.

The operating profit margin for the hazardous waste management services has decreased to 14.5% in 1992 from 16.0% in 1991. This decrease in operating margin is also attributable to generally weak economic conditions in most areas in which the Company operates as a result of the continuing recession being experienced in North America. The effect of this recession has been pricing pressures to retain volumes and the postponement of special remedial projects by customers. The Canadian Western Region, which was established in July 1991, completed construction and permitting of a greenfield secure landfill site and transfer station in Alberta and a greenfield processing and transfer facility in British Columbia. The related start-up costs contributed to lower margins in 1992. In 1991, the operating profit margin for the hazardous waste services segment decreased to 16.0% from 20.6% in 1990 also primarily as a result of the recession.

The operating profit margin for the passenger services has increased to 13.2% in 1992 from 12.5% in 1991. The primary reasons for the increase are lower fuel prices than those experienced during the Middle East conflict last year, price increases on rebid contracts and the intentional loss of some marginally profitable contracts. In addition, greater emphasis on the importance of driver safety has contributed to a lower incident rate of insurance claims. The operating profit margin in 1991 decreased to 12.5% from 13.4% in 1990. The primary reasons for the decrease were higher fuel prices experienced during the Middle East conflict in the first two fiscal quarters, losses on sale of excess fleet, and lower revenues in the fourth fiscal quarter as a result of state funding pressures reducing expenditures by school boards on extracurricular outings at the end of the school year.

In 1990, operating profit margins decreased to 16.8% from 17.9% in 1989 as a result of the effect of the Tricil Limited acquisition on the two waste management services segments and higher costs in the passenger services segment.

The Company's outlook for the forthcoming fiscal year continues to be that until weak economic conditions subside, operating profit margins, primarily in the waste management services segments, will remain under pressure. Improved economic conditions would result in significantly improved hazardous waste management services segment margins and more moderately improved solid waste management services segment margins.

Seasonality

The passenger services segment experiences a significant decline in revenue and operating income in the fourth fiscal quarter because of school summer vacations. Adverse winter weather moderately affects all of the Company's operations during the Company's second fiscal quarter. See also Note 17 to Consolidated Financial Statements.

Interest expense

In 1992, interest expense decreased by 8.3% to $122.1 million. This decline is primarily a result of a 5% decrease in the cost of borrowing and a 5% reduction in the average outstanding borrowings level. The lower borrowings level is due to the public equity issue discussed below, the proceeds from which were used to reduce indebtedness of the Company and to the lower level of acquisitions and capital expenditures.

Interest expense in 1991 increased by 17.8% to $133.1 million. The change was attributable to an increase of approximately 20% in the average borrowings level, offset partially by a decrease of approximately 7% in the cost of borrowing.

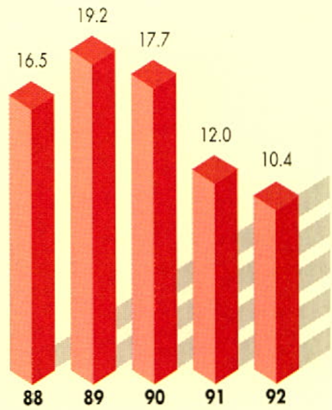
In 1990, interest expense increased by 85.3% to $113.0 million. The change is attributable to an increase of approximately 85% in the average borrowings level, while the average interest rate on borrowings was relatively unchanged.

Interest, dividend and other income

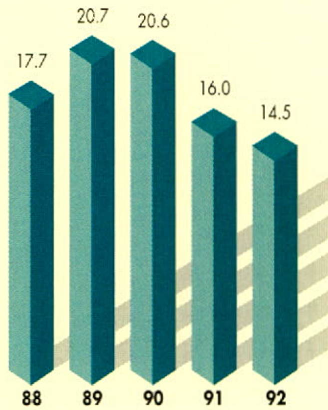
In 1992, interest, dividend and other income decreased by $12.4 million to $13.6 million. The decrease is primarily attributable to significantly lower returns on the average investment level and a non-recurring gain in the prior period.

Interest, dividend and other income in 1991 decreased by $9.3 million to $26.0 million primarily as a result of lower returns being realized on the investment portfolio from the prior year

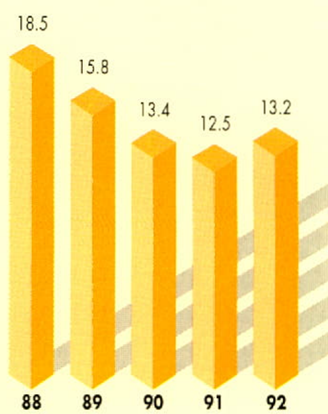
Solid Waste Services Operating Profit Margins
(percent)



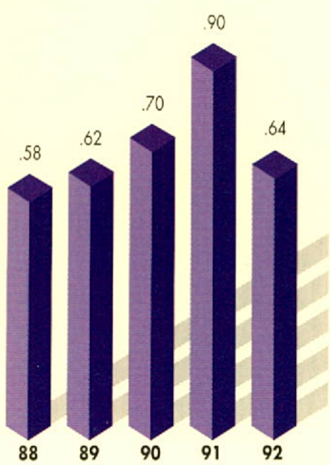
Hazardous Waste Services Operating Profit Margins
(percent)



Passenger Services Operating Profit Margins
(percent)



Long-term Debt/Equity
(ratio)



and from the loss on disposal of some long-term investments.

In 1990, interest, dividend and other income increased by $1.4 million to $35.3 million. The increase was primarily attributable to increased returns on higher average investment levels from the previous year.

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 these investments were initially acquired in 1989. ADT is a Bermuda-based company, trading 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 is a United Kingdom-based company, which also trades on the London and New York Stock Exchanges. Attwoods provides solid waste management services in the United States, United Kingdom and Continental Europe. It is also engaged in recycling and medical waste services in the United States and the rental of portable sanitation and accommodation units in Europe.

At August 31, 1992, the Company had a 28.4% interest in ADT, and in Attwoods, on a fully-converted basis including the investment in Convertible Preference Shares, an interest of 34.9%. In December 1991, the Company purchased additional Ordinary Shares in Attwoods pursuant to a rights offering at a total cost of $56.8 million.

The income from these investments in 1992 is 128% higher than in 1991, as a result of an improvement in ADT's earnings. In 1991, there had been a significant reduction in ADT's earnings from its non-core operations.

Also, in 1991, primarily as a result of material, adverse changes in the non-core investments of ADT, which began in late calendar 1990, the Company's management concluded that there had been an impairment of the realizable value of its investment in ADT that was "other than of a temporary nature". Accordingly, a provision for that impairment in value was recorded as an unusual item in 1991.

The equity in earnings from Attwoods, reported in 1991, reflected both increased investment levels and improved earnings over 1990.

In 1990, the Company increased its investment in ADT from 24.1% at August 31, 1989 to 28.4% at August 31, 1990 at a total cost of $339.8 million. The substantial portion of this increase ($211 million) occurred in September 1989. The Company also increased its investment in Attwoods during 1990 from 34.2% (on a fully converted basis) at August 31, 1989 to 36.9% at August 31, 1990 at a total cost of $87.3 million.

Unusual items

In 1991, the unusual items of $461.2 million ($1.86 per share on an after-tax basis) consisted primarily of a write-down in carrying value of the Company's investment in ADT Limited to reflect a decline in realizable value that management considers to be other than temporary.

Income taxes

The effective income tax rate on income from continuing operations (before unusual items) has increased slightly to 18.0% in 1992 from 17.3% in 1991.

In 1991, the effective tax rate increased to 17.3% from 14.1% in 1990 primarily as a result of lower earnings from the Company's investment in ADT Limited.

In 1990, the effective tax rate decreased to 14.1% from 15.3% in 1989, primarily as a result of increased income from the Company's investment in ADT Limited and Attwoods plc.

Loss from discontinued operations

In 1991, the loss of $15.1 million from discontinued operations consisted of the Company's share of a loss reported by ADT Limited in its year ended December 31, 1990 in connection with the disposal of assets of discontinued businesses.

In 1990, the Company sold the two services businesses which, in prior years, comprised its other segment. These operations were reported as discontinued operations and previously reported financial statements have been restated. See also Note 9 to Consolidated Financial Statements.

Extraordinary items

During 1992, the Company negotiated a settlement of the 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, has been reflected as an extraordinary item and amounts to $6.1 million (two cents per share) on an after-tax basis.

In 1990, the extraordinary items consisted primarily of a provision for an unresolved permitting issue at a hazardous waste management services site. See also Note 10 to Consolidated Financial Statements.

Net income and earnings per share

Income from continuing operations (before unusual items) increased by 6.6% in 1992, decreased by 51.1% in 1991 and increased by 35.9% in 1990.

Earnings per share from continuing operations (before unusual items) increased 2.0% to $0.52 in 1992, decreased 53.6% to $0.51 in 1991 and increased 19.6% to $1.10 in 1990. In 1991, a loss of $1.86 per share was derived from unusual items.

Earnings (loss) per share increased to $0.50 in 1992, decreased to $(1.41) in 1991 and decreased to $0.88 in 1990. These earnings (loss) per share amounts are after providing for increases in the average number of common shares outstanding of 7.8% in 1992, 5.7% in 1991 and 15.2% in 1990 and are after providing for preference share dividends of $0.6 million in 1992, $4.6 million in 1991 and $8.5 million in 1990. The primary reasons for the increase in average number of common shares outstanding were the issue in February 1992 of 23.65 million Class B Non-Voting Shares and the conversion during February 1991 of 9.3 million Cumulative Convertible First Preference Shares Series G into 14.0 million Class B Non-Voting Shares. The decrease in preference share dividends of $4.0 million in 1992 and $3.9 million in 1991 are also a result of the conversion during February 1991 of the Cumulative Convertible First Preference Shares Series G into Class B Non-Voting Shares.

The Company's consolidated financial statements have been prepared in accordance with Canadian GAAP, except as disclosed in Note 13 to Consolidated Financial Statements.

Under U.S. GAAP, the Company will be required to adopt the liability method of accounting for income taxes beginning September 1, 1993. The Company has not determined the effect this will have on its results. The Company prepares its financial statements in accordance with Canadian GAAP and any adjustments required to reflect the application of the liability method of accounting for income taxes would be a Canadian-U.S. GAAP reconciling item.

Financial condition

The Company's capital consisted of ($000's omitted):

August 31	1992		1991		1990	
Long-term debt	$1,260,892	38.1%	$1,507,552	46.0%	$1,434,543	40.1%
Deferred income taxes	88,800	2.7	89,781	2.7	88,617	2.5
Shareholders' equity	1,959,954	59.2	1,682,063	51.3	2,053,867	57.4
	$3,309,646	100.0%	$3,279,396	100.0%	$3,577,027	100.0%

In 1992, the net increase in capital of $30.3 million is primarily related to the increase in retained earnings, which, after providing for dividends of $36.8 million, amounted to $95.6 million. Long-term debt was reduced by $246.7 million which approximates the growth in issued share capital of $215.5 million from the Class B Non-Voting Share issue in February 1992.

Investment activities, including capital expenditures of $224.8 million, acquisitions of $41.6 million and the subscription to the Attwoods plc rights offering of $56.8 million in December 1991, were generally financed by operating cash flows.

In 1991, the net decrease in capital of $297.6 million resulted primarily from (i) the net loss of $344.4 million, (ii) dividends paid of $70.7 million, (iii) cash received of $40.2 million on the conversion of preference shares, and (iv) a $73.0 million net increase in long-term debt.

In 1990, the net increase in capital of $1,162.0 million resulted primarily from (i) the net increase in long-term debt of $535.5 million, principally as a result of the acquisition of Tricil Limited and the additional investment in ADT Limited and Attwoods plc, (ii) the public issue in December 1989 of 20 million Class B Non-Voting Shares for net proceeds of $438.8 million, and (iii) retained earnings for the year which, after providing for dividends of $62.6 million, amounted to $151.9 million.

The Company had revolving/term bank lines of credit primarily for acquisition and expansion purposes of $1,218 million of which approximately $914 million was unused as at August 31, 1992. The Company is required to maintain certain balance sheet ratios, all of which have been met at August 31, 1992.

A fiscal 1993 principal repayment of $95.0 million on the $154,991,000 notes which would otherwise be classified as current portion of long-term debt, has 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.

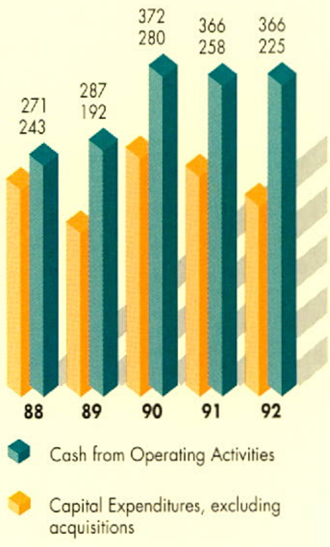
In August 1992, the Company issued $200 million of 7.70% debentures due August 15, 2002 pursuant to a $500 million debt shelf registration statement filed with the Ontario Securities Commission and the United States Securities and Exchange Commission.

Liquidity

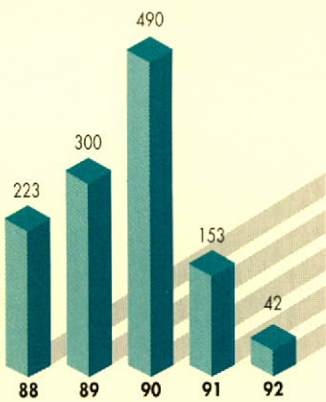
Cash from operations before financing working capital was $351.3 million, $404.5 million and $409.4 million in 1992, 1991 and 1990, respectively, representing percentage changes from the previous years of (13.2)%, (1.2)% and 27.0%.

Cash, short-term deposits and marketable securities which can be liquidated readily were $131.7 million, $125.2 million and $208.4 million at August 31, 1992, 1991 and 1990, respectively.

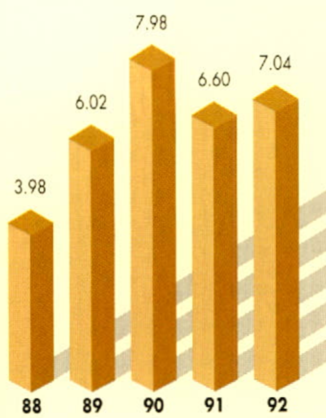
Cash from Operating Activities and Capital Expenditures
($ millions)



Acquisition Expenditures
($ millions)



Book Value per Common Share
(dollars)



In 1992, trade and other accounts receivable decreased by $15.6 million, primarily attributable to an increased emphasis on collections. The average number of days sales outstanding has decreased to 53 days from 57 days in 1991.

In 1991, trade and other accounts receivable increased by $24.8 million primarily attributable to an increase in sales. The average number of days sales outstanding increased to 57 days from 56 days in 1990.

In 1990, trade and other accounts receivable increased by $81.5 million. The increase was attributable to expanded operations, primarily as a result of the Tricil Limited acquisition, and increased government service contracts in the hazardous waste services operations, which had extended credit terms. The average number of days sales outstanding increased to 56 days in 1990 from 48 days in 1989.

Management believes that the existing level of working capital of $174.4 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 $277.1 million at August 31, 1992.

Capital expenditures and capital resources

Net expenditures for the purchase of fixed assets for normal replacement requirements, increases in services and acquisitions of businesses were $234.6 million, $383.5 million and $750.2 million in 1992, 1991 and 1990, respectively. Included in these amounts were $41.6 million, $152.7 million and $490.0 million expended to acquire businesses in 1992, 1991 and 1990, respectively. The Company invested an additional $57.4 million, $52.7 million and $427.1 million in 1992, 1991 and 1990, respectively, in ADT Limited and Attwoods plc.

Acquisitions of businesses have generally been financed with revolving/term bank loans at rates of at least one percent below prime. Purchases of fixed assets have generally been made from funds generated by operating cash flows.

Capital expenditures for the purchase of fixed assets for fiscal 1993 are expected to be approximately $250 million, which represents normal replacement 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, 1992, the Company had unused bank lines of credit of approximately $872 million.

Legal proceedings

Increasing levels of government regulation continue to have a significant effect on our waste management 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 management industry, including Laidlaw, 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.

As of August 31, 1992, subsidiaries of the Company had been notified that they are potentially responsible parties in connection with 14 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 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. The Company believes that its subsidiary is not the party responsible for the lagoon and groundwater contamination or for the restoration of this property.

(U.S. $000's omitted except per share amounts)

Year Ended August 31	1992	1991	1990
Revenue	$1,925,617	$1,882,426	$1,737,517
Operating expenses	1,300,178	1,257,419	1,137,904
Selling, general and administrative expenses	152,226	161,928	120,709
Depreciation and amortization	235,517	216,245	187,705
Income from operations	237,696	246,834	291,199
Interest expense	(122,114)	(133,106)	(112,962)
Interest, dividend and other income	13,597	26,009	35,286
Equity in earnings of associated companies	39,713	17,455	95,355
Unusual items (Note 7)	—	(461,203)	—
Income (loss) from continuing operations before income taxes	168,892	(304,011)	308,878
Income taxes (Note 8)	30,400	25,250	43,400
Income (loss) from continuing operations	138,492	(329,261)	265,478
Loss from discontinued operations (Note 9)	—	(15,100)	(17,550)
Income (loss) before extraordinary items	138,492	(344,361)	247,928
Extraordinary items (Note 10)	(6,100)	—	(33,422)
Net income (loss)	$ 132,392	$ (344,361)	$ 214,506
Earnings (loss) per share (Note 11)			
Continuing operations	$ 0.52	$ (1.35)	$ 1.10
Discontinued operations	—	(0.06)	(0.08)
Extraordinary items	(0.02)	—	(0.14)
Net income (loss)	$ 0.50	$ (1.41)	$ 0.88
Retained earnings – beginning of year	$ 115,109	$ 530,181	$ 383,211
Net income (loss)	132,392	(344,361)	214,506
Dividends – Preference Shares	(558)	(4,570)	(8,535)
– Class A and Class B Non-Voting Shares	(36,267)	(66,141)	(54,056)
Share issue expenses (net of income taxes)	(4,188)	—	(4,945)
Retained earnings – end of year	$ 206,488	$ 115,109	$ 530,181
Dividends per share (Cdn. $)			
– Preference Shares	$ 1.00	$ 1.00	$ 1.00
– Class A and Class B Non-Voting Shares	0.16	0.31	0.27

The accompanying notes are an integral part of these statements.

(U.S. $000's omitted)

August 31	1992	1991
ASSETS		
Current Assets		
Cash and short-term deposits	$ 15,501	$ 7,177
Marketable securities – at cost which approximates market value	116,211	118,049
Trade and other accounts receivable (net of allowance for doubtful accounts of $3,817; 1991 – $5,453)	277,073	292,681
Income taxes recoverable	49,343	33,033
Inventories	30,788	28,980
Other current assets	34,779	40,028
Total current assets	523,695	519,948
Long-term investments (Note 2)	869,905	776,369
Fixed assets (Note 3)	1,795,073	1,833,764
Other assets		
Excess cost of businesses purchased over fair value of net tangible assets acquired (net of accumulated amortization of $65,047; 1991 – $49,051)	452,957	450,925
Deferred charges	17,305	14,310
	470,262	465,235
	$3,658,935	$3,595,316

The accompanying notes are an integral part of these statements.

Signed on behalf of the Board

Donald K. Jackson, Director

Donald M. Green, C.M., Director

August 31	1992	1991
LIABILITIES		
Current liabilities		
Accounts payable	$ 111,579	$ 104,559
Accrued liabilities	191,832	174,594
Current portion of long-term debt (Note 4)	45,878	36,767
Total current liabilities	349,289	315,920
Long-term debt (Note 4)	1,260,892	1,507,552
Deferred income taxes	88,800	89,781
	1,698,981	1,913,253
Commitments and contingencies (Note 15)		
SHAREHOLDERS' EQUITY		
Preference Shares (Note 5)	9,609	9,609
Class A Shares; issued and outstanding 47,632,092 (1991 – 47,632,092) (Note 5)	2,871	2,871
Class B Non-Voting Shares; issued and outstanding 229,555,668 (1991 – 205,703,811) (Note 5)	1,815,437	1,594,022
Cumulative foreign currency translation adjustments (Note 6)	(74,451)	(39,548)
Retained earnings	206,488	115,109
Total shareholders' equity	1,959,954	1,682,063
	$3,658,935	$3,595,316

The accompanying notes are an integral part of these statements.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Laidlaw Inc. as at August 31, 1992 and 1991 and the consolidated statements of income and retained earnings and changes in financial position for each of the three years in the period ended August 31, 1992. 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, 1992 and 1991 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, 1992 in accordance with Canadian generally accepted accounting principles.

Coopers and Lybrand

Hamilton, Canada
October 13, 1992

Coopers & Lybrand
Chartered Accountants

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

(U.S. $000's omitted)

Year Ended August 31	1992	1991	1990
Net cash provided by (used in):			
Operating activities	$ 365,906	$ 366,364	$ 371,986
Investing activities	(293,617)	(473,041)	(1,173,948)
Financing activities	(65,803)	23,487	940,422
	6,486	(83,190)	138,460
Cash, short-term deposits and marketable securities – beginning of year	125,226	208,416	69,956
Cash, short-term deposits and marketable securities – end of year	$ 131,712	$ 125,226	$ 208,416
Operating activities			
Income (loss) from continuing operations	$ 138,492	$ (329,261)	$ 265,478
Add (deduct) items not affecting cash:			
Depreciation and amortization	235,517	216,245	187,705
Deferred income taxes	13,150	750	9,590
Equity in earnings of associated companies	(26,341)	56,902	(51,979)
Unusual items (Note 7)	(4,669)	457,048	—
Other	(4,808)	2,804	(1,354)
Cash provided by continuing operating activities before financing working capital	351,341	404,488	409,440
Cash provided by (used in financing) working capital (Note 12)	14,565	(38,124)	(44,550)
Net cash provided by continuing operating activities	365,906	366,364	364,890
Net cash provided by discontinued operating activities	—	—	7,096
Net cash provided by operating activities	$ 365,906	$ 366,364	$ 371,986
Investing activities			
Proceeds from sale of fixed assets	$ 31,866	$ 27,009	$ 19,657
Purchase of fixed assets	(208,723)	(248,448)	(271,309)
Purchase of other assets	(16,100)	(9,361)	(8,539)
Purchased on acquisitions (Note 14)			
– Fixed assets	(20,319)	(107,917)	(321,243)
– Other assets	(21,298)	(44,829)	(168,802)
Increase (decrease) in working capital relating to investment activities	(3,447)	(5,279)	6,172
Proceeds from sale of long-term investments	7,011	9,201	4,468
Increase in long-term investments			
– ADT Limited and Attwoods plc	(57,415)	(52,701)	(427,100)
– Other	(2,685)	(13,541)	(1,919)
Discontinued operations	—	(1,804)	(5,333)
Extraordinary items	—	(15,850)	—
Other	(2,507)	(9,521)	—
Net cash used in investing activities	$ (293,617)	$ (473,041)	$(1,173,948)
Financing activities			
Net proceeds from share issues and conversions (Note 5)	$ 217,227	$ 42,175	$ 448,799
Increase in long-term debt	462,769	651,596	1,884,750
Increase in non-current liabilities on acquisitions (Note 14)	38,045	154,967	448,443
Reduction in long-term debt	(747,019)	(754,540)	(1,778,979)
Dividends	(36,825)	(70,711)	(62,591)
Net cash provided by (used in) financing activities	$ (65,803)	$ 23,487	$ 940,422

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 13, 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. Other long-term investments are carried at cost.

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 equipment – 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.

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.

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 ($000's omitted)

August 31	1992	1991
Associated companies – at equity		
ADT Limited		
(market value – $247,084; 1991 – $255,231)		
(ownership percentage – 28.4%; 1991 – 28.4%)	$478,093	$435,750
Attwoods plc		
(market value – $240,556; 1991 – $277,031)		
(ownership percentage – 29.9%; 1991 – 27.4%)	347,019	290,605
	825,112	726,355
Other long-term investments – at cost	44,793	50,014
	$869,905	$776,369

The excess of the carrying value over the Company's share of the underlying net assets of these associated companies of $171.8 million (1991 – $177.2 million) is being amortized on a straight-line basis over forty years.

The investment in Attwoods plc consists of both Ordinary Shares and Convertible Preference Shares, which represent 34.9% (1991 – 34.7%) of the votes on a fully converted basis.

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

	ADT Limited Year Ended December 31		Attwoods plc Year Ended July 31	
	1991	1990	1992	1991
Revenue	$1,250,700	$1,151,600	$602,000	$528,600
Income from operations	175,800	165,100	58,600	63,100
Income from continuing operations	87,400	151,500	36,700	46,400
Net income (loss)	(518,800)	46,400	30,500	46,400
Current assets	538,300	880,400	263,700	180,300
Non-current assets	2,404,800	2,843,900	900,100	738,800
Current liabilities	458,900	451,500	165,700	247,800
Non-current liabilities	1,295,900	1,485,100	190,800	104,700
Redeemable preference stock	485,900	487,000	—	—

ADT Limited 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 plc provides solid waste management services in the United States, United Kingdom, and Continental Europe. It is also engaged in recycling and medical waste services in the United States and the rental of portable sanitation and accommodation units in Europe.

3. Fixed assets ($000's omitted)

August 31, 1992	Cost	Accumulated Depreciation and Amortization	Net
Land, landfill sites and improvements	$ 966,910	$185,280	$ 781,630
Buildings	174,979	34,596	140,383
Vehicles and other equipment	1,446,752	573,692	873,060
	$2,588,641	$793,568	$1,795,073
August 31, 1991			
Land, landfill sites and improvements	$ 928,531	$133,763	$ 794,768
Buildings	155,679	28,125	127,554
Vehicles and other equipment	1,388,509	477,067	911,442
	$2,472,719	$638,955	$1,833,764

4. Long-term debt ($000's omitted)

August 31	1992	1991
Revolving/term bank loans with interest rates averaging 3.97% at August 31, 1992 (1991 – 6.25%)	$ 240,529	$664,649
9.03% notes due December 19, 1995, with an interest rate as a result of a swap agreement of 8.76%	230,000	230,000
10.47% notes due November 1, 1994	170,000	170,000
9.49% notes due December 29, 1993, with an interest rate, as a result of a swap agreement, of LIBOR plus 0.20%	155,000	155,000
$154,991 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	145,410	152,365
7.70% debentures due August 15, 2002, of which $150 million, as a result of swap agreements, bear interest at LIBOR plus 0.63%	200,000	—
Notes due at various dates to 1998, with interest rates from 6% to 11%	161,418	166,341
Other, including mortgages, lien notes and obligations under capital leases	4,413	5,964
	1,306,770	1,544,319
Less current portion	45,878	36,767
	$1,260,892	$1,507,552

On August 31, 1992, the Company had available $1,218 million (1991 – $1,225 million) of revolving/term bank credit agreements, of which approximately $914 million (1991 – $527 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 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, 1992.

A fiscal 1993 principal repayment of $95,000 on the $154,991 notes, which would otherwise be classified as current portion of long-term debt, has 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.

In August 1992, the Company issued $200 million of 7.70% debentures due August 15, 2002 pursuant to a $500 million debt shelf registration statement filed with the Ontario Securities Commission and the United States Securities and Exchange Commission.

The Company has entered into a number of interest rate swap agreements that fix the interest rate on $450,000 of long-term debt, otherwise subject to floating money market rates, for an average term of two years at 9.39%.

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

Year ending August 31,	1993	$ 45,878
	1994	313,109
	1995	249,382
	1996	317,337
	1997	88,177
	thereafter	292,887
		$1,306,770

5. Capital stock ($000's omitted except per share amounts)

(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	1992	1991
5% Cumulative Convertible First Preference Shares Series G; issued at Cdn $20 per share, convertible into 1.5 Class B Non-Voting Shares upon payment of Cdn. $8 on or before the earlier of February 17, 1994 and the day preceding the date fixed for redemption. They are redeemable prior to February 18, 1994, at the Company's discretion, if the market price of the Class B Non-Voting Shares on the fifth trading day prior to the date on which notice of redemption is given exceeds 125% of the conversion price on the date fixed for redemption, and after February 17, 1994 are redeemable, at the Company's discretion, at Cdn. $20; issued and outstanding 653,070 (1991 – 653,070)	$ 9,609	$ 9,609

(c) Material changes in all classes of Capital Stock since September 1, 1989:

(i) On October 31, 1989, the Company issued 342,246 Class B Non-Voting Shares in the amount of $6,812 as partial consideration for the acquisition of a business.

(ii) On December 6, 1989, the Company issued 20,000,000 Class B Non-Voting Shares for net proceeds of $438,752.

(iii) On December 29, 1989, the Company issued 86,957 Class B Non-Voting Shares in the amount of $1,917 as partial consideration for the acquisition of a business.

(iv) On May 1, 1990, stock options representing 276,750 Class B Non-Voting Shares were exercised for proceeds of $1,292.

(v) During fiscal 1991, 9,340,248 5% Cumulative Convertible First Preference Shares Series G with a stated value of $137,433 were converted to 14,010,366 Class B Non-Voting Shares. The proceeds from this conversion were $40,233.

(vi) On May 1, 1991, stock options representing 270,000 Class B Non-Voting Shares were exercised for proceeds of $1,942.

(vii) On November 12, 1991, the Company issued 201,857 Class B Non-Voting Shares in the amount of $1,768 as partial consideration for the acquisition of a business.

(viii) On February 20, 1992, the Company issued 23,650,000 Class B Non-Voting Shares for net proceeds of $215,459.

(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, 1992, the aggregate options outstanding entitled holders to purchase 2,834,500 (1991 – 2,019,500; 1990 – 1,647,000) 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, 1993

247,750 Class B Non-Voting Shares at Cdn. $14.63 per share exercisable May 1, 1993

419,750 Class B Non-Voting Shares at Cdn. $15.75 per share exercisable May 1, 1994

402,500 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:

609,000 Class B Non-Voting Shares at Cdn. $14.00 per share granted May 1, 1991

923,500 Class B Non-Voting Shares at Cdn. $11.375 per share granted May 1, 1992

6. Cumulative foreign currency translation adjustments ($000's omitted)

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

August 31	1992	1991
Balance – beginning of year	$(39,548)	$(40,641)
Translation adjustments for the year	(34,903)	1,093
Balance – end of year	$(74,451)	$(39,548)

7. Unusual items ($000's omitted)

In 1991, the unusual items of $461,203 consisted primarily of a write-down of the Company's investment in ADT Limited due to a decline in realizable value that management considered to be other than temporary. The effect of these unusual items on earnings per share, net of income taxes, was $(1.86) per share.

8. Income taxes ($000's omitted)

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

Year Ended August 31	1992	1991	1990
Income (loss) before income taxes			
United States and foreign	$182,388	$(277,236)	$290,281
Canada	(13,496)	(26,775)	18,597
	$168,892	$(304,011)	$308,878
Provision for (recovery of) current income taxes			
United States and foreign	$ 19,750	$ 16,750	$ 35,997
Canada	(2,500)	7,750	(2,187)
	17,250	24,500	33,810
Provision for (recovery of) deferred income taxes			
United States and foreign	6,650	16,500	(1,788)
Canada	6,500	(15,750)	11,378
	13,150	750	9,590
Total provision for income taxes	$ 30,400	$ 25,250	$ 43,400
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	(22.2)	(25.2)	(21.3)
Effect of lower tax rates applicable to dividend and other income and equity in earnings of associated companies	(9.3)	(3.6)	(12.2)
Other	6.0	2.6	4.1
Effective income tax rates before effect of unusual items	18.0	17.3	14.1
Effect of unusual items (Note 7)	—	(25.6)	—
Effective income tax rates	18.0%	(8.3)%	14.1%

Under U.S. GAAP, the Company will be required to adopt the liability method of accounting for income taxes beginning September 1, 1993. The Company has not determined the effect this will have on its results. The Company prepares its financial statements in accordance with Canadian GAAP and any adjustments required to reflect the application of the liability method of accounting for income taxes would be a Canadian-U.S. GAAP reconciling item.

9. Discontinued operations ($000's omitted)

In 1991, the loss of $15,100 from discontinued operations consisted of the Company's share of a loss reported by ADT Limited in its year ended December 31, 1990 in connection with its disposal of assets of discontinued businesses.

During 1990, the Company sold the two service businesses which, in prior years, comprised a separate business segment. Summarized financial information for these operations for 1990 is as follows:

Year Ended August 31	1990
Revenue	$ 65,933
Income from operations	1,761
Interest expense net of other income	(4,401)
Loss before income taxes	(2,640)
Income taxes	723
Loss from discontinued operations before loss on disposal	(1,917)
Loss on disposal (net of income taxes of $2,400)	(15,633)
Loss from discontinued operations	$(17,550)
Identifiable assets	$ 19,985

10. Extraordinary items ($000's omitted)

Year Ended August 31	1992	1991	1990
Settlement of a class action suit, net of income taxes of $4,800	$ 6,100	$ —	$ —
Provision for unresolved permitting issue at a hazardous waste services site, net of income taxes of $11,500	—	—	30,822
Other, net of income taxes of $400	—	—	2,600
	$ 6,100	$ —	$ 33,422

11. Earnings (loss) per share ($000's omitted except per share amounts)

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	1992	1991	1990
Income from continuing operations before unusual items	$138,492	$ 129,942	$265,478
Preference share dividends	558	4,570	8,535
Income from continuing operations before unusual items available to common shareholders	137,934	125,372	256,943
Unusual items (net of tax)	—	(459,203)	—
Income (loss) from continuing operations available to common shareholders	137,934	(333,831)	256,943
Loss from discontinued operations	—	(15,100)	(17,550)
Extraordinary items	(6,100)	—	(33,422)
Net income (loss) available to common shareholders	$131,834	$(348,931)	$205,971
Weighted average number of shares outstanding (in thousands)	266,034	246,734	233,522
Earnings (loss) per share			
– Continuing operations			
– before unusual items	$ 0.52	$ 0.51	$ 1.10
– unusual items (net of tax)	—	(1.86)	—
	0.52	(1.35)	1.10
– Discontinued operations	—	(0.06)	(0.08)
– Extraordinary items	(0.02)	—	(0.14)
– Net income (loss)	$ 0.50	$(1.41)	$ 0.88

12. Cash provided by (used in financing) working capital ($000's omitted)

Year Ended August 31	1992	1991	1990
Trade and other accounts receivable	$ 15,608	$(24,774)	$(95,243)
Income taxes recoverable	(9,235)	(31,223)	(7,201)
Inventories	(1,808)	(1,992)	(1,577)
Other current assets	5,249	(4,706)	(7,665)
Accounts payable and accrued liabilities	4,751	24,571	67,136
	$ 14,565	$(38,124)	$(44,550)

13. Canadian and United States accounting principles

($000's omitted except per share amounts)

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

(1) An item reported in 1990 to settle a legal obligation of $15,000, which was accounted for as a prior period adjustment under Canadian GAAP would be reported as an extraordinary loss under U.S. GAAP. The effect on earnings per share in 1990 would be $0.06 loss from extraordinary item.

(2) Items reported in 1990 as extraordinary items under Canadian GAAP (Note 10) would be included in income from continuing operations under U.S. GAAP as unusual and non-recurring items.

Thus, 1990 results of operations under U.S. GAAP would be reported as follows:

	Income from continuing operations	EPS	Net Income	EPS
Canadian GAAP				
earnings available to common shareholders	$256,943	$1.10	$205,971	$0.88
(1) Extraordinary loss	—	—	(15,000)	(0.06)
(2) Unusual and non-recurring items	(33,422)	(0.14)	—	—
U.S. GAAP				
earnings available to common shareholders	$223,521	$0.96	$190,971	$0.82

(3) In December 1987, the Company's formerly 79% owned subsidiary, Laidlaw Industries, Inc., bought back all of its outstanding common shares not owned by the Company for an aggregate consideration of approximately $94.5 million, and the excess cost over book value of the common shares acquired of $65.5 million was charged to retained earnings as a capital transaction. Under U.S. GAAP, this transaction would be accounted for by the purchase method of accounting for business combinations, and all consideration would be allocated to the fair value of the underlying net assets being acquired.

As at August 31, 1992, this treatment would have had the approximate effect of increasing the carrying values of certain landfill properties by $3.7 million (1991 – $4.0 million), the excess cost of businesses purchased over fair value of net tangible assets acquired by $53.1 million (1991 – $54.6 million), and the total assets and shareholders' equity by $56.8 million (1991 – $58.6 million). The effect on net income (loss), income (loss) from continuing operations, and earnings (loss) per share would be immaterial in 1992, 1991 and 1990.

14. Acquisitions

($000's omitted except per share amounts)

During 1992, the Company purchased 7 solid waste services businesses, 2 hazardous waste services businesses and 10 passenger services businesses. During the year ended August 31, 1991, the Company purchased 25 solid waste services businesses, 4 hazardous waste services businesses and 6 passenger services businesses. During the year ended August 31, 1990, the Company purchased 27 solid waste services businesses, 9 hazardous waste services businesses and 6 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	1992	1991	1990
Net tangible assets acquired at book value	$ 22,342	$ 62,348	$ 54,312
Increase of net tangible assets to fair value at dates of acquisition	—	47,061	138,602
Excess of cost over fair value of net tangible assets acquired	15,112	41,433	168,345
Total consideration given	$ 37,454	$150,842	$361,259
Total use of working capital on these acquisitions consisted of:			
Non-current assets acquired	$ 41,617	$152,746	$490,045
Non-current liabilities assumed	591	4,125	87,184
	41,026	148,621	402,861
Long-term debt financing	37,454	150,842	361,259
Net increase (decrease) in working capital	$ (3,572)	$ 2,221	$ (41,602)

Pro forma data (unaudited)

Condensed pro forma income statement data, as if acquisitions each year had been acquired at the beginning of the previous year, are as follows:

Year Ended August 31	1992	1991	1990
Income statement data			
Revenue	$1,948,074	$2,008,903	$1,982,746
Income from continuing operations before unusual items	139,373	133,297	276,437
Earnings per share from continuing operations before unusual items	$0.52	$0.52	$1.15

15. Commitments and contingencies

($000's omitted)

Lease commitments

Rental expense incurred under operating leases was $37,539, $39,065, and $34,686 in 1992, 1991, and 1990 respectively.

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

Year ending August 31,	1993	$22,670
	1994	17,834
	1995	13,068
	1996	9,847
	1997	8,437
	thereafter	24,313

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. The Company believes that its subsidiary is not the party responsible for the lagoon and groundwater contamination or for the restoration of this property.

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.

Postretirement benefits

The Company does not provide postretirement benefits to its employees and, accordingly, will not incur any cost arising from the issuance of the U.S. Financial Accounting Standards Board Statement No. 106 – Employers' Accounting for Postretirement Benefits Other Than Pensions.

16. Segmented information ($000's omitted)

	Solid Waste Services			Hazardous Waste Services			Passenger Services		
Year Ended August 31	1992	1991	1990	1992	1991	1990	1992	1991	1990
Revenue	$ 804,231	$ 773,809	$ 699,536	$458,150	$440,639	$390,367	$663,236	$667,978	$647,614
Income from operations	83,258	92,553	124,039	66,611	70,514	80,436	87,827	83,767	86,724
Total identifiable assets	1,081,431	1,134,637	1,014,142	932,648	897,481	746,170	643,692	659,308	663,454
Capital expenditures, including acquisitions	75,920	193,744	298,907	92,218	155,195	358,767	90,883	57,471	108,327
Depreciation and amortization	108,342	100,602	82,674	55,285	45,405	35,243	67,910	67,036	67,356

Geographic

	United States			Canada		
Year Ended August 31	1992	1991	1990	1992	1991	1990
Revenue	$1,332,629	$1,329,329	$1,259,786	$ 592,988	$ 553,097	$ 477,731
Income from operations	148,130	154,751	208,719	89,566	92,083	82,480
Total identifiable assets	1,835,813	1,881,247	1,765,665	821,958	810,179	658,101

Consolidated

Year Ended August 31	1992	1991	1990
Revenue	$1,925,617	$1,882,426	$1,737,517
Income from operations	237,696	246,834	291,199
Interest expense net of other income	(108,517)	(107,097)	(77,676)
Equity in earnings of associated companies	39,713	17,455	95,355
Unusual items	—	(461,203)	—
Income taxes	(30,400)	(25,250)	(43,400)
Income (loss) from continuing operations	$ 138,492	$ (329,261)	$ 265,478
Total identifiable assets of segments	$2,657,771	$2,691,426	$2,423,766
Assets of discontinued operations	—	—	19,985
Corporate assets	1,001,164	903,890	1,451,188
Total assets	$3,658,935	$3,595,316	$3,894,939
Capital expenditures, including acquisitions	$ 266,440	$ 410,555	$ 769,893
Depreciation and amortization	235,517	216,245	187,705

17. Quarterly financial information (unaudited) ($000's omitted except per share amounts)

	1992					1991				
	1st	2nd	3rd	4th	Total	1st	2nd	3rd	4th	Total
Revenue	$521,344	$462,459	$517,418	$424,396	$1,925,617	$516,691	$454,917	$504,606	$406,212	$1,882,426
Income from operations	72,036	53,427	72,338	39,895	237,696	94,863	54,154	71,377	26,440	246,834
Income from continuing operations before unusual items	40,577	28,159	44,874	24,882	138,492	77,536	17,782	31,017	3,607	129,942
Unusual items (net of tax)	—	—	—	—	—	—	—	10,000	(469,203)	(459,203)
Loss from discontinued operations	—	—	—	—	—	—	(15,100)	—	—	(15,100)
Extraordinary item	—	—	(6,100)	—	(6,100)	—	—	—	—	—
Net income (loss)	40,577	28,159	38,774	24,882	132,392	77,536	2,682	41,017	(465,596)	(344,361)
Earnings per share – Income from continuing operations before unusual items (Note 11)	0.16	0.11	0.16	0.09	0.52	0.32	0.06	0.12	0.01	0.51
Earnings (loss) per share – Net income (loss)	0.16	0.11	0.14	0.09	0.50	0.32	0.00	0.16	(1.84)	(1.41)

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 reporting of certain extraordinary items and a prior period adjustment in 1990 and the reporting of the Company's subsidiary's capital transaction in 1988. See also Note 13 of Notes to Consolidated Financial Statements.

Year Ended August 31	1992	1991	1990	1989	1988
	($000's omitted except per share amounts)				
Income Statement Data Under Canadian GAAP					
Revenue	$1,925,617	$1,882,426	$1,737,517	$1,339,396	$1,113,636
Income from operations	237,696	246,834	291,199	239,610	195,097
Income from continuing operations before unusual items	138,492	129,942	265,478	195,404	144,185
Income (loss) from continuing operations	138,492	(329,261)	265,478	207,710	144,185
Income (loss) before extraordinary items	138,492	(344,361)	247,928	210,785	147,406
Net income (loss)	132,392	(344,361)	214,506	210,785	147,406
Earnings per share from continuing operations before unusual items (Note 11)	0.52	0.51	1.10	0.92	0.74
Earnings (loss) per share from continuing operations	0.52	(1.35)	1.10	0.98	0.74
Earnings (loss) per share before extraordinary items	0.52	(1.41)	1.02	1.00	0.76
Earnings (loss) per share	0.50	(1.41)	0.88	1.00	0.76
Dividends per Class A Share	0.137	0.268	0.231	0.192	0.147
Dividends per Class B Non-Voting Share	0.137	0.268	0.231	0.192	0.147
Average number of Class A and Class B Shares (000's)	266,034	246,734	233,522	202,704	176,974
Approximate Amounts Under U.S. GAAP					
Income (loss) from continuing operations	$ 138,492	$ (329,261)	$ 232,056	$ 207,710	$ 144,185
Income (loss) before extraordinary items	138,492	(344,361)	214,506	210,785	147,406
Net income (loss)	132,392	(344,361)	199,506	210,785	147,406
Earnings (loss) per share from continuing operations	0.52	(1.35)	0.96	0.98	0.74
Earnings (loss) per share before extraordinary items	0.52	(1.41)	0.88	1.00	0.76
Earnings (loss) per share	0.50	(1.41)	0.82	1.00	0.76
Balance Sheet Data (at end of year) Under Canadian GAAP					
Working capital	$ 174,406	$ 204,028	$ 222,531	$ 68,405	$ 94,212
Fixed assets, net	1,795,073	1,833,764	1,701,648	1,344,316	1,075,228
Total assets	3,658,935	3,595,316	3,894,939	2,651,276	1,636,927
Long-term debt	1,260,892	1,507,552	1,434,543	899,012	514,036
Shareholders' equity	1,959,954	1,682,063	2,053,867	1,462,194	891,630
Other Data					
Operating margin	12.3%	13.1%	16.8%	17.9%	17.5%
Pre-tax margin*	8.8	8.4	17.8	17.2	17.3
After-tax margin*	7.2	6.9	15.3	14.6	12.9
Return on average common shareholders' equity*	7.5	6.1	15.1	19.0	20.5
Return on assets*	3.8	3.5	8.1	9.3	10.2
Long-term debt/capital	38.1	46.0	40.1	37.2	35.7
Long-term debt/equity	64.3	89.6	69.8	61.5	57.7

* Before 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	1992	1991	1990	1989	1988
High	Cdn. $1.2048	Cdn. $1.1678	Cdn. $1.2068	Cdn. $1.2390	Cdn. $1.3145
Low	1.1228	1.1422	1.1316	1.1713	1.2118
Average	1.1705	1.1553	1.1710	1.1958	1.2643
End of year	1.1952	1.1422	1.1545	1.1763	1.2400

On October 13, 1992, 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. $1.2455.

The Company's Class A Shares and Class B Non-Voting Shares are listed on The Toronto Stock Exchange and the Montreal Exchange and, since December 10, 1990, on the New York Stock Exchange (trading symbols LDWA and LDWB, respectively). Prior to December 10, 1990, they traded on the NASDAQ National Market System.

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	
1991 Fiscal Year	High	Low	High	Low
First Quarter	$22.63	$18.25	$22.50	$17.88
Second Quarter	23.50	18.25	23.50	18.13
Third Quarter	21.63	11.25	21.63	11.25
Fourth Quarter	14.38	11.25	14.38	11.25
1992 Fiscal Year	High	Low	High	Low
First Quarter	$13.13	$ 8.38	$13.25	$ 8.25
Second Quarter	12.75	8.63	13.00	8.50
Third Quarter	12.50	10.88	12.63	10.75
Fourth Quarter	13.00	9.63	13.13	9.50

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 by NASDAQ for the periods indicated prior to December 10, 1990 and by the New York Stock Exchange since December 10, 1990.

	Class A Shares		Class B Non-Voting Shares	
1991 Fiscal Year	High	Low	High	Low
First Quarter	$19.50	$16.13	$19.38	$15.50
Second Quarter	20.25	16.88	20.25	15.50
Third Quarter	18.50	9.88	18.63	9.88
Fourth Quarter	12.63	9.63	12.63	9.88
1992 Fiscal Year	High	Low	High	Low
First Quarter	$11.50	$ 7.38	$11.63	$ 7.25
Second Quarter	11.25	7.63	11.25	7.50
Third Quarter	10.50	9.13	10.50	9.13
Fourth Quarter	10.88	8.13	11.00	8.00

As of September 30, 1992, there were 1,871 and 8,476 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 $0.07 Canadian per Class A Share and Class B Non-Voting Share were paid on November 15, 1990; of $0.08 Canadian per Class A Share and Class B Non-Voting Share on each of February 15, 1991, May 15, 1991 and August 15, 1991; and of $0.04 Canadian per Class A Share and Class B Non-Voting Share on each of November 15, 1991, February 15, 1992, May 15, 1992 and August 15, 1992. Cash dividends of $0.04 Canadian per Class A Share and Class B Non-Voting Share have been declared payable on November 15, 1992.

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.

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† Member of the Audit Committee

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