LAIDLAW

ANNUAL REPORT 1989

Industry Leadership

Laidlaw is a leader in providing two vital non-cyclical services – waste collection, treatment, recycling and disposal, and school and special education busing. Indeed, the company that went public in Canada in 1969 and expanded rapidly into the United States has during the 1980's grown faster than any of its major competitors and is now recognized as:

- the third largest waste services company in North America
- the largest school bus services company in North America
- a substantial stockholder in North America's fifth largest waste services company – Attwoods plc
- a substantial stockholder in the world's largest security and vehicle auction company – ADT Limited.

Contents

Cover:

Bicyclists and birds enjoy the natural beauty of a landfill operated by Laidlaw in California. Laidlaw is progressively returning sanitary landfills to beneficial use such as parkland even as it continues to manage the disposal sites. The Company's commitment to environmental responsibility and safety extends throughout its recycling, waste services and busing operations.

FINANCIAL HIGHLIGHTS

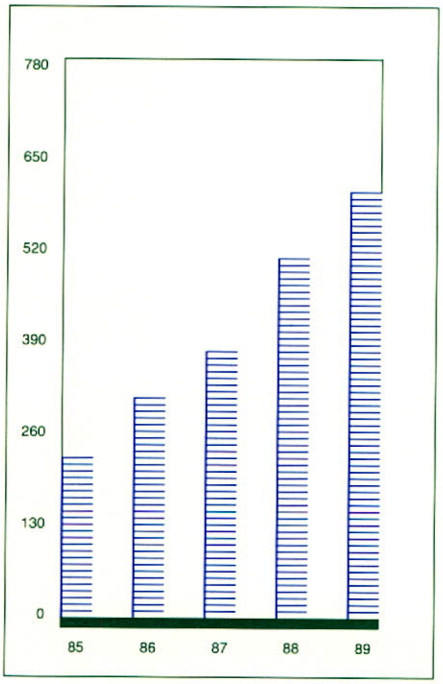
(U.S. $000's omitted except per share amounts)

Year Ended August 31	1989	1988	% Increase
Revenue	**$1,413,375**	$1,182,974	20%
Net income	**210,785**	147,406	43
Earnings per share	**1.00***	0.76	32
Average number of shares outstanding	**202,704**	176,974	15

* Includes $0.06 from unusual items.

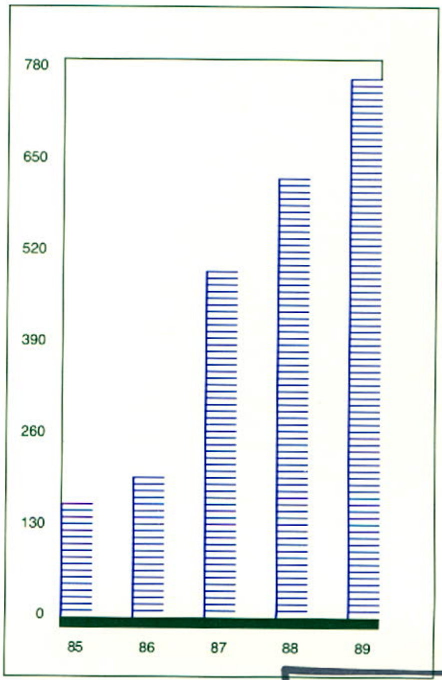
PASSENGER SERVICES

Revenue
$000,000



WASTE SERVICES

Revenue
$000,000



Chairman's Report to Shareholders

IN THE 1980'S, LAIDLAW'S NET INCOME SOARED 25 TIMES TO $199 MILLION FROM $8 MILLION AND EARNINGS PER SHARE INCREASED 12 TIMES TO $0.94 FROM EIGHT CENTS.

The decade of the 80's saw Laidlaw's revenue multiplied 11 times to $1.4 billion from $130 million in 1979. More importantly, net income soared 25 times to $199 million (before unusual items) from $8 million during the same period and earnings per share increased 12 times to $0.94 (before unusual items) from eight cents. The annual dividend paid per share currently is three times our total earnings per share in 1979.

During the decade of the 80's, average annual compound growth rates were achieved as follows:

Revenue	27%
Net income	38%
Earnings per share	28%
Dividends per share	29%
Common shareholders' equity	46%

These growth rates exceeded those of all of your Company's major competitors in every case.

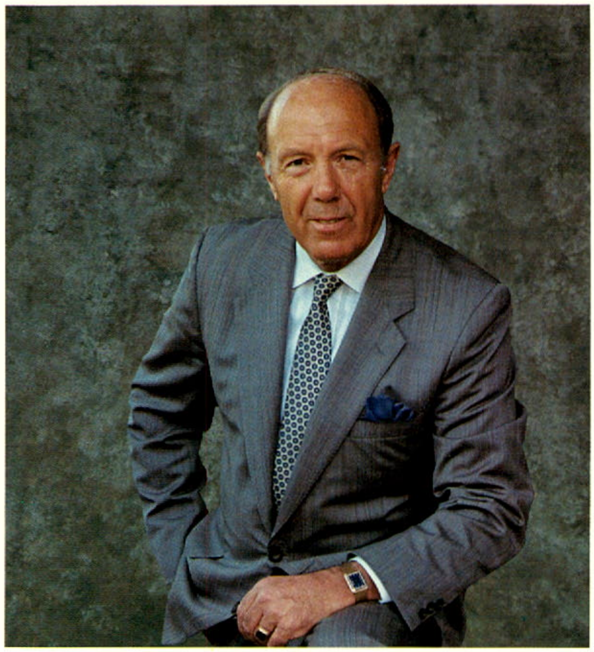
Fiscal year 1989, which ended August 31, saw our strengths both tested and confirmed and we ended the year with our strong growth record intact.

During 1989, revenue improved 20% to $1,413 million from $1,183 million in fiscal 1988.

Net income for the year before unusual items increased 35% to $198.5 million from $147.4 million the previous year and, after the unusual items, grew to $210.8 million. Although there were 15% more shares outstanding during the period, net earnings per share before unusual items increased 24% to 94 cents per share from 76 cents the previous year and, after adding the six cents per share gain from the unusual items, total earnings were $1 per share, up 32% over the previous year.

In spite of severe training and labour cost increases in the passenger services group, 1989 overall operating and net income margins again reached new all time highs for your Company.

While most of the Company's growth in operating income for the year was attributable to the waste services group, which saw its operating margins increase to 19.5% of revenue, up from 16.7% of revenue in 1988 and 13.9% in 1987, the most rapid growth in revenue and operating profits came from the chemical waste services operations which represented 21% of the waste services group's revenue for the year. Revenue from chemical waste services increased 77% to $157.6 million



MICHAEL G. DeGROOTE

THE MOST RAPID GROWTH IN REVENUE AND OPERATING PROFITS THIS YEAR CAME FROM OUR CHEMICAL WASTE SERVICES OPERATIONS.

for fiscal year 1989, up from $89.2 million in 1988 and $51.3 million in 1987 and, as a result of several acquisitions late in the fiscal year, revenue is currently running at over $260 million on an annualized basis.

The balance of the waste services group's efforts were directed mainly toward margin improvement in the solid waste collection operations and the successful continued expansion of its solid waste sanitary landfill site capacity. To that end, this group's landfill sites now total 37 in the U.S. and Canada. Approved and potential capacity at those sites is currently estimated at 475 million cubic yards, up from 350 million cubic yards at the end of last year.

For the first time ever, the school bus operating sector of your Company experienced severe driver shortage problems in many parts of the Company's North American operations where unemployment was and is virtually nonexistent. This resulted in drastically increased training and recruiting costs as well as improved wages and fringe benefits necessary to retain drivers in those areas. Although this resulted in substantially reduced operating margins, this group still added over 2,000 vehicles to its fleet during the year, thereby enhancing this sector's future growth potential. Increased emphasis was also placed on the expansion of municipal transit operations and our contracts with municipalities for mass transit services now total 43. Laidlaw remains by far number one in the school bus service area in North America.

During the latter part of fiscal 1989, your Company acquired major equity positions in two non-cyclical, fragmented growth businesses in the service sector, both with head offices outside North America. Laidlaw currently has a 34.2% fully diluted interest in Attwoods plc with its head office in the U.K. Attwoods operates waste services companies in the U.K., Germany and the U.S. and is North America's fifth largest waste services company. Attwoods plc, through its strong management team, has achieved approximately 30% average annual compound growth rate in earnings per share over the five years since entering the U.S. market place, with growth in net income substantially exceeding revenue growth during that period, and is poised to keep up solid progress in both North America and Europe. Laidlaw is by far the largest shareholder of Attwoods plc.

Although somewhat unrelated to Laidlaw's core businesses, your Company also acquired a 28.8% (23.0% fully diluted) interest in ADT Limited of Bermuda. ADT is the world leader in electronic security protection and vehicle auctions in the U.K. and the U.S. This major investment by your Company in these rapidly growing non-cyclical fragmented service businesses is consistent with our objectives of expanding in high growth, high operating margin service businesses which have a high barrier to entry. ADT clearly meets those objectives and gives your Company a further window to European and other overseas expansion possibilities in future years. ADT, with a market capitalization value of over $3 billion, also achieved a very healthy average annual compound growth rate of 28% in earnings per share in the last five years and a growth in net income substantially exceeding revenue growth during that period.

As previously announced, the legal dispute over entitlement to the ownership of Tricil Limited continues. After a 12 week trial held during 1988 and 1989, the Alberta Courts gave a decision which would have resulted in your Company acquiring all of Tricil. This decision has been appealed to the Court of Appeal of Alberta. We continue to be very confident that this matter will eventually be resolved in your Company's favour.

In order to further strengthen our top level management team, your Company added Donald K. Jackson as Executive Vice-President. Mr. Jackson's lifetime experience in the waste services and transportation fields at top executive levels will greatly enhance your Company's overall growth objectives.

We are also pleased to welcome Michael A. Ashcroft, Chairman of the Board and President of ADT Limited and Donald K. Jackson to the Company's Board of Directors. It is with regret that the resignation of Gary DeGroote was accepted after 13 years of service with the Company.

Subject to shareholders' approval at the Company's annual meeting on December 7, your Board of Directors approved a name change of your Company from Laidlaw Transportation Limited to Laidlaw Inc. As many of you are aware, your Company divested its largest trucking operations several years ago and the word "transportation" still seemed to link the Company to trucking. Your management feels Laidlaw Inc. is more appropriate for the Company's present business undertakings.

Although during the last decade we had, for various reasons, the odd slow quarter, we still recorded a higher overall annual compound growth rate than our larger competitors. By virtually any standard, Laidlaw has been an extraordinarily successful company. With the 80's behind us, we look ahead with great enthusiasm to the 90's. We have an excellent base to grow from. We are in several existing growth service businesses. Laidlaw is either the leader or one of three top leaders in these service businesses. With those fundamentals in place, our growth opportunities are unparalleled in our history.

With a determined management team, thousands of dedicated employees and the faith that you, our shareholders, have placed in us, we look forward to the nineties with great optimism.

Respectfully submitted

M.G. DeGROOTE
Chairman of the Board &
Chief Executive Officer

EXECUTIVE REPORT

DOUGLAS R. GOWLAND
President & Chief
Operating Officer

DONALD K. JACKSON
Executive Vice President

Laidlaw's position as a leader in both passenger and waste services carries with it several fundamental responsibilities. We are responsible for the safety of the people we transport. We take environmental responsibility in the handling of the waste materials we collect. We are accountable for the welfare of our 30,000 employees. And, of course, we answer to our shareholders for fiscal performance.

Laidlaw has achieved much of its remarkable growth through acquisition. As a result, we have faced the challenge of establishing common quality standards throughout the Company, of creating a single corporate culture that nonetheless allows each operating entity to retain its unique character and spirit.

To address these concerns – and continue managing Laidlaw's core businesses efficiently and profitably – management implemented several programs in 1989 designed to strengthen our performance and build an even more cohesive team of committed, qualified service people.

In waste services, the focus is on improving customer service, developing state-of-the-art technology, and finding environmentally sensitive, economically logical solutions to the world's very serious waste management problems. In passenger services, we have continued and improved our emphasis on driver and vehicle safety, recruiting, ongoing driver training, and maintaining a positive work environment.

Tying all these programs together is a comprehensive employee communications program that stresses the value of strong working relationships, the open exchange of ideas, and more direct access between managers and our service personnel. As Laidlaw's corporate family grows, we're also generating more cross talk between companies, sharing knowledge and learning the capabilities of each family member.

Most importantly, Laidlaw is in a people-intensive business. Our customers often judge us by the attitude of their children's school bus driver or the waste management team that serves their business. By that measure, credit for much of our success this past year must go to our frontline service people, whose personal efforts have been nothing short of outstanding. We applaud their contributions, and count on their continuing support to help maintain our leadership in every one of our operating areas.

PASSENGER SERVICES

EACH DAY

ACROSS

NORTH AMERICA,

LAIDLAW TRANSIT

CARRIES MORE

THAN ONE MILLION

CHILDREN TO AND

FROM SCHOOL.

Passenger Services

NO OTHER

COMPANY TODAY

IS ENTRUSTED

WITH THE SAFE

TRANSPORTATION OF

SO MANY IMPORTANT

PASSENGERS.

AS SUCH,

SAFETY REMAINS

OUR FIRST POLICY

AT ALL LEVELS.

Laidlaw Transit carries more than one million children to and from school each day in communities across North America, as well as an increasing number of public transit passengers in several American cities. Our fleet has grown this year by over 2,000, to a total of 22,050 vehicles.

"We carry America's future" is more than an astute marketing statement for our school busing services. It is a rallying cry to our staff for a caring, responsible approach to their jobs, and a reminder that no other company today is entrusted with the safe transportation of so many important passengers.

As such, safety remains our first priority at all levels. This year, we instituted even more in-depth post-licensing training to ensure that our drivers continue to improve their driving skills throughout their careers. This tactic helps reduce our exposure to accidents as well. To augment the training and quality control efforts of our regional safety directors, we have posted two additional safety directors in each operating region, and rigorous vehicle inspection and preventive maintenance procedures are followed in every area.

The entire North American busing industry is currently dealing with the difficult challenge of recruiting and retaining qualified, motivated drivers. This condition has been forced upon us by continuing low unemployment in most urban centres and heavy competition for able drivers.

Laidlaw's response has been multi-pronged. In 1989, we took steps to improve employee benefits, and we continually audit the industry's pay scales to remain as competitive as possible. We are developing more opportunities for our drivers to work during off-season periods on such special assignments as driving charter sightseeing tours and transporting children to summer camps and community-sponsored events. We've also stepped up classroom training to ensure that the highest possible training standards are obtained.

In Southern Ontario, we adopted a novel approach to recruiting by enlisting the services of our antique school bus – a 1914 wood-paneled Ford – to visit communities around the province. The caravan generated a great deal of public interest – and a new group of driver trainees.

The Company's initiative to in-

crease our public transit services leapt forward in 1989 with new contracts in San Francisco and Denver, among a number of American cities. More municipalities are seeking to escape the public busing business as they realize the benefits of privatizing their surface transit services. Laidlaw is gaining important ground in this lucrative sector, and can point to an increasingly experienced record as a provider of reliable, fiscally responsible transit services. We will continue to pursue this market aggressively.

On the research and development side, we are continuing our collaboration with bus manufacturers to improve the safety features and performance of our vehicles. Though safety requirements differ from state to state, it is economically imperative for us to standardize the specifications of our vehicles. When new buses are delivered to operating divisions, we run our own strict testing procedures to confirm that each meets or exceeds all governing qualifications.

In related areas, Laidlaw's Capital Bus Sales division is dedicated to selling new and used buses of all types in Western Canada, Ontario, the Canadian Maritimes, and Illinois. Our additional transportation services continue to prosper. They include a motorcoach touring service running from Western Canada to major tourist regions in the United States and Canada, the Gray Line sightseeing service contract for Vancouver Island, and Grey Goose, an intercity coach carrier in Manitoba and Alberta.

LAIDLAW IS THE MAJOR CORPORATE SPONSOR OF THE HALTON POLICE CHILDREN'S SAFETY VILLAGE, THE ONLY SUCH FACILITY IN CANADA.

OTHER SERVICES Laidlaw Tree Service, a more recent Laidlaw company, provides tree and brush clearing, trimming and brush recycling services in 11 eastern states. The company also provides lawn care and related services to 65,000 homes in New York State.

Our Byers Transport subsidiary serves the special highway transportation needs of many remote and smaller communities in the Northwest Territories and parts of British Columbia and Alberta. Byers drivers travel deep into these remote regions to carry less-than-truckload size shipments of vital consumer commodities to isolated towns, winter and summer. Recent expansion of our service routes makes us the only such company to transport commodities north of the Dempster Highway on a regular basis.

Waste Services

WHETHER RECYCLING RESIDENTIAL WASTE OR CONVERTING A LANDFILL TO PARKLAND, LAIDLAW FOCUSES ON PROTECTING THE ENVIRONMENT.

WASTE SERVICES

LAIDLAW CONTINUES TO SEEK INNOVATIVE ANSWERS TO ISSUES LIKE RECYCLING, LANDFILL CAPACITY, AND RESOURCE RECOVERY.

Throughout our waste services business sectors, we are pursuing a host of opportunities for leadership, as new community and industry needs arise, innovative technologies surface and public attention on environmental issues increases.

SOLID WASTE SERVICES Again this year, Laidlaw Waste Systems has strengthened its position as the third largest provider of solid waste collection and disposal services in North America, adding commercial customers and expanding our service contracts. We now provide collection and disposal services to more than 155,000 commercial and industrial customers in 20 states and six Canadian provinces, and fulfill contracts with municipalities to collect the solid wastes of 1,700,000 residences in 15 states and six provinces.

Seeking leadership in this field means continuing to explore our horizons for innovative answers to issues that are taking centre stage in the public arena. Trends like recycling, diminishing landfill capacity, growth in resource recovery and alternative disposal technologies are influencing our marketing strategies and directing our search for ways to respond effectively.

Recycling – Long before it was perceived to be an important public trend, Laidlaw pioneered North America's first residential curbside recycling program in Kitchener, Ontario. "Blue boxes" full of glass and plastic bottles, aluminum cans, and newspapers were collected from 35,000 homes in a prototype program that quickly caught on in other Canadian communities as people woke up to the environmental value of recycling.

Today, Laidlaw collects recyclable products from half a million homes across Ontario and throughout our U.S. operating regions. It's estimated that recycling reduces the waste stream from the residences we serve by as much as 12 percent, or 720 pounds of the three tons of garbage the average North American family generates each year.

The recent popularity of recycling is fuelled by a genuine public concern for the environment, as consumers become more aware of the finite capacity of landfills and the wastefulness of discarding containers and products used only once. At the same time, new technologies are being developed to recover and reuse plastic, metal and paper product components, and Laidlaw is

OUR NEW 20-MEGAWATT COYOTE CANYON GAS RECOVERY PLANT CAPTURES LANDFILL METHANE GAS AND CONVERTS IT TO ENERGY.

working with industry to identify and employ practical new ideas.

Companies of Laidlaw's size are in a far better position to marshall the resources it takes to be profitable in recycling. And bottom-line calculations of recycling don't take into account reduced manufacturing costs. To produce newsprint from used newspapers, for example, takes only half the energy new newsprint requires, not to mention the virgin trees it saves. Making aluminum products from recycled cans takes just 5 percent of the energy needed to extract new metal from the earth.

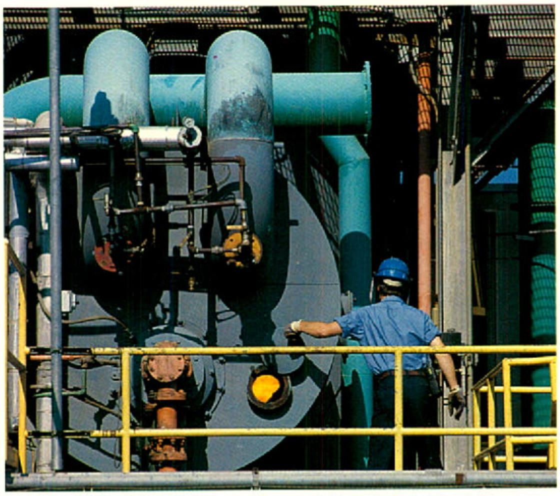
We believe recycling is a responsible, effective strategy, and we plan to capitalize on what promises to be a major trend well into the 1990's.

Landfill – Each year the issue of solid waste landfill capacity confronts communities throughout North America with greater urgency, as existing sites approach their limits and new locations are hotly debated.

In 1989, Laidlaw worked aggressively to acquire new sites and expand its current landfill capacity. We now own or operate 37 solid waste landfill sites in the U.S. and Canada, with a current capacity of 195 million cubic yards and the potential to add another 280 million cubic yards within our existing properties. Rising landfill rates and diminishing supply will only increase the demand – and the potential profits – for our landfill business.

Resource Recovery – This year, Laidlaw has turned one of the byproducts of waste disposal into a profitable source of energy. When solid wastes decompose biologically in a landfill, landfill gas, primarily methane, is created. In California, instead of flaring off the ever-present gases, our new $25 million 20-megawatt Coyote Canyon Gas Recovery Plant can now capture the methane and use it as fuel to drive a powerful steam turbine. The plant came on line this summer and will sell its electricity to the regional utilities that feed the Southwestern power grid.

Such specialized activities are just one of several efforts to develop alternatives for the disposal and secondary use of solid wastes. For example, Laidlaw is investigating the applications of anaerobic fermentation – the large-scale biological treatment of waste through natural composting.



CHEMICAL WASTE SERVICES

Laidlaw's market leadership in the chemical waste business has grown significantly during each of the past three years, and 1989 was no exception. Through our wholly owned subsidiary, GSX Chemical Services, Inc., we collect, transport, treat, reclaim, and dispose of chemical wastes throughout the United States.

The GSX growth strategy is focused on their operating philosophy of providing "Full Spectrum" solutions for the problems of managing chemical wastes. To that end, we are assembling a national network of treatment and disposal facilities that are "tied" together with a network of regional service centres. This "hub and spoke" approach allows GSX to provide services to large and small generators.

GSX's network of treatment, recovery, and disposal facilities was expanded during 1989 to include operations in California and Massachusetts. Two large secure chemical landfill sites in California were added to complement our site in Pinewood, SC. Three transportation facilities were also added to service these new facilities. GSX Tank Management was also formed this year to address the needs associated with testing, remediating, and re-installing underground storage tanks.

Our seventh regional service centre was added to complement our existing regional service centres. These facilities provide services for small quantity generators and "lab pack" capabilities for laboratories, schools, universities and hospitals and work with our Government Services group to provide support for administering our "on base" disposal support. Additionally, the service centre approach has helped GSX become the national leader in Household Hazardous Waste Cleanup programs. Wastes generated from these activities typically are sent to our treatment and disposal facilities which include, in addition to the landfills, a liquid injection incinerator and waste water treatment, chemical fixation, solvent recovery and fuels blending facilities.

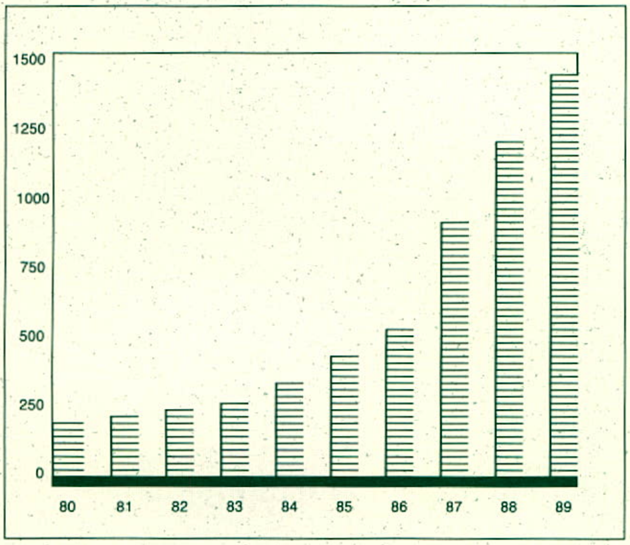
GSX also provides comprehensive onsite/offsite waste management through its site remediation group. At times, a customer's unique situation or materials demands a custom management approach. GSX provides a turnkey solution.

GSX-OWNED THERMAL OXIDATION CORPORATION OPERATES ONE OF THE LARGEST LIQUID WASTE INCINERATORS IN NORTH AMERICA.

LAIDLAW'S CONTINUED GROWTH

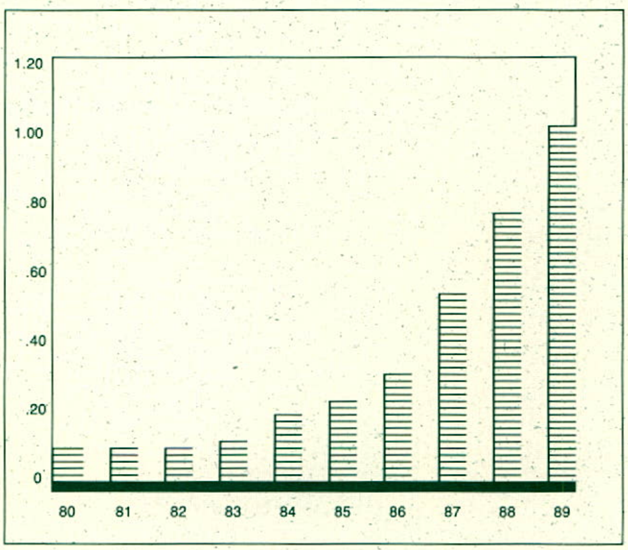
REVENUE

$000,000



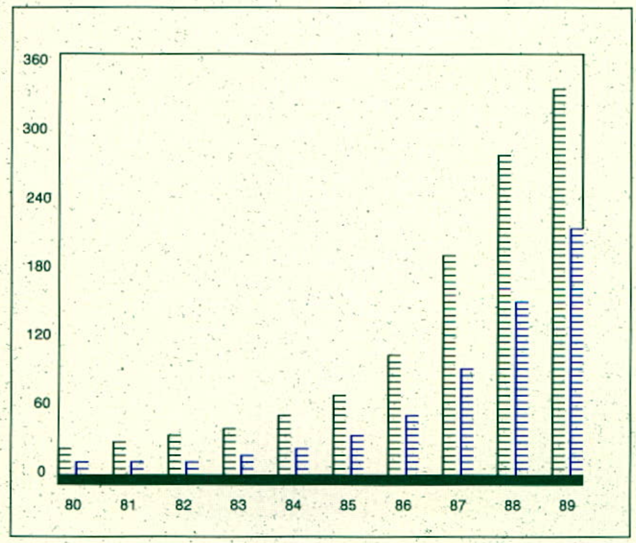
EARNINGS PER SHARE

DOLLARS



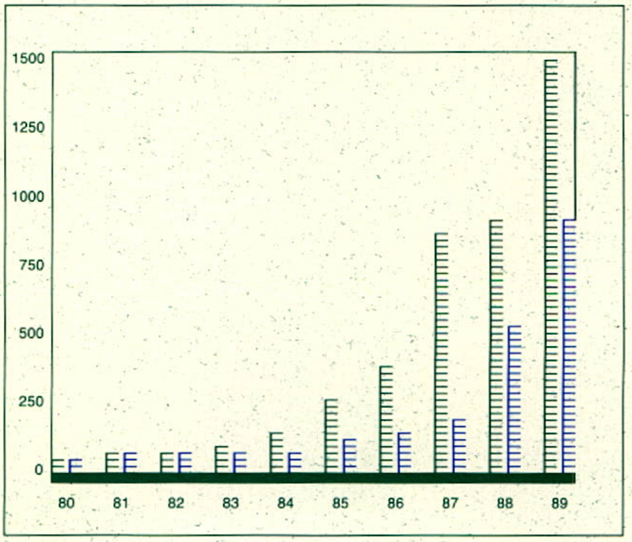
■ CASH FROM OPERATIONS BEFORE FINANCING WORKING CAPITAL
■ INCOME BEFORE EXTRAORDINARY ITEMS

$000,000



■ SHAREHOLDERS' EQUITY
■ LONG-TERM DEBT

$000,000



Ten Year Financial Review

(U.S. $000's omitted except per share amounts and as otherwise indicated)

	1989	1988	1987
Operating results			
(year ended August 31)			
Revenue	**$1,413,375**	$1,182,974	$ 892,850
Income before extraordinary items	**210,785**	147,406	92,272
Operating profit margin	**17.5%**	17.3%	15.8%
Net profit margin	**14.9%**	12.5%	10.3%
Cash from operations before financing working capital	**$ 331,647**	$ 275,438	$ 187,015
Net capital expenditures	**471,417**	453,369	612,346
Financial position			
(as at August 31)			
Working capital	**$ 93,405**	$ 119,212	$ 124,848
Long-term debt	**899,012**	514,036	180,201
Shareholders' equity	**1,477,194**	906,630	862,867
Total assets	**2,651,276**	1,636,927	1,254,173
Class A and Class B shares			
(year ended August 31)			
Earnings per share from operations	**$1.00***	$0.76	$0.53
Dividends paid (in Canadian dollars)			
– Class A shares	**23.0 Cts.**	18.5 Cts.	12.0 Cts.
– Class B shares	**23.0 Cts.**	18.5 Cts.	12.0 Cts.
Market price (as at August 31, in Canadian dollars)			
– Class A shares	**$19.63**	$16.50	$22.50
– Class B shares	**19.25**	15.50	21.50
Net return on average common shareholders' equity	**20.3%**	20.5%	22.4%
Shares outstanding			
(as at August 31)			
– Class A shares	**47,632,092**	47,632,092	47,632,092
– Class B shares	**170,708,039**	141,855,882	128,293,098

* Includes $0.06 from unusual items.

For periods prior to 1986, the above data has been restated to reflect the retroactive application of the change in accounting for investment tax credits.

	1986	1985	1984	1983	1982	1981	1980
	$516,733	$412,545	$332,677	$259,490	$223,918	$215,981	$185,096
	47,667	33,144	24,228	15,261	10,796	11,119	10,068
	14.8%	16.4%	17.1%	14.7%	14.2%	14.3%	13.6%
	9.2%	8.0%	7.3%	5.9%	4.8%	5.1%	5.4%
	$ 99,714	$ 65,905	$ 52,005	$ 39,514	$ 29,165	$ 26,185	$ 21,149
	176,889	125,544	64,030	68,831	29,342	37,542	27,201
	$146,769	$115,905	$ 35,847	$ 22,079	$ 19,478	$ 8,618	$ 13,610
	137,650	112,028	67,598	70,425	67,945	65,537	55,393
	387,701	258,295	145,218	95,192	66,162	66,513	62,849
	650,357	474,522	326,450	264,128	200,968	200,116	173,624
(all information gives retroactive effect to subdivisions of shares of 2 for 1 in each of July, 1983 and January, 1985 and 3 for 2 in each of September, 1986 and May, 1987)							
	$0.30	$0.23	$0.18	$0.12	$0.09	$0.09	$0.09
	7.7 Cts.	6.5 Cts.	4.0 Cts.	2.8 Cts.	2.2 Cts.	2.2 Cts.	2.2 Cts.
	7.7 Cts.	6.5 Cts.	4.0 Cts.	3.0 Cts.	2.7 Cts.	2.7 Cts.	2.7 Cts.
	$10.00	$6.83	$3.58	$2.92	$0.94	$0.92	$0.83
	9.56	6.72	3.50	2.83	0.89	0.92	0.72
	23.5%	21.9%	21.4%	21.2%	19.2%	21.0%	24.0%
	47,632,092	47,632,092	47,632,092	47,632,092	47,632,092	47,632,092	47,632,092
	102,907,530	89,407,530	89,407,530	70,125,030	56,625,030	56,625,030	56,625,030

Management's Discussion and Analysis

of results of operations and financial condition

Items in the Consolidated Statements of Income for the three years ended August 31, 1989 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			**Year 1989 Over 1988**	Year 1988 Over 1987	Year 1987 Over 1986
	1989	1988	1987			
Revenue	**100.0%**	100.0%	100.0%	**19.5%**	32.5%	72.8%
Operating expenses	**66.1**	67.5	68.5	**16.9**	30.5	67.0
Selling, general and administrative expenses	**6.2**	5.9	6.0	**25.9**	30.9	68.8
Depreciation and amortization	**10.2**	9.3	9.7	**31.3**	27.8	105.3
Income from operations	**17.5**	17.3	15.8	**21.0**	44.4	84.5
Interest expense	**(4.6)**	(2.4)	(3.4)	**132.2**	(7.9)	106.1
Interest, dividend and other income	**2.4**	1.9	2.7	**54.3**	(8.8)	22.4
Equity in earnings of associated company	**1.2**	—	—	**100.0**	—	—
Unusual items	**1.7**	—	—	**100.0**	—	—
Income before income taxes and minority interest	**18.2**	16.8	15.1	**30.2**	46.8	65.6
Income taxes	**3.3**	4.2	4.3	**(4.8)**	28.0	30.7
Minority interest	—	0.1	0.5	**(100.0)**	(70.0)	(5.5)
Net income for the year	**14.9%**	12.5%	10.3%	**43.0**	59.8	93.6

Revenue

In 1989, the increase in revenue of 19.5% consisted of 12.7% from acquisitions, 5.2% from internal growth and 1.6% from foreign exchange rate changes. Thirty acquisitions expanding the waste services operations were made in ten of the United States and three Canadian provinces. In addition, ten acquisitions were made in the passenger services operations in seven of the United States and two Canadian provinces.

In 1988, the increase in revenue of 32.5% consisted of 17.4% from acquisitions, 13.2% from internal growth and 1.9% from foreign exchange rate changes. Twelve acquisitions expanding the waste services operations were made in eight of the United States and one Canadian province. In addition, 14 acquisitions were made in the passenger services operations in eight of the United States and two Canadian provinces.

In 1987, consolidated revenue increased by 72.8% to $892.9 million. The principal component of the increase was approximately $240 million or 46.4% and was directly attributable to the acquisition of GSX Corporation by the waste services operations which was completed effective October 1, 1986.

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

Year Ended August 31	**1989**		1988		1987	
Waste services	**$ 750,687**	**53%**	$ 617,416	52%	$481,036	54%
Passenger services	**588,709**	**42**	496,220	42	370,860	42
Other	**73,979**	**5**	69,338	6	40,954	4
	$1,413,375	**100%**	$1,182,974	100%	$892,850	100%

The sources of waste services revenue by type of customer are as follows ($000's omitted):

Year Ended August 31	**1989**		1988		1987	
Commercial and industrial	**$ 334,526**	**45%**	$ 305,492	49%	$269,654	56%
Transfer and landfill operations	**153,681**	**20**	116,173	19	61,552	13
Residential	**104,846**	**14**	106,525	17	98,546	20
Chemical wastes	**157,634**	**21**	89,226	15	51,284	11
	$ 750,687	**100%**	$ 617,416	100%	$481,036	100%

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

	Percentage Increase (Decrease)		
	Year 1989 Over 1988	Year 1988 Over 1987	Year 1987 Over 1986
Expansion of customer base by acquisitions			
Waste services	**6.2%**	7.3%	49.5%
Passenger services	**6.4**	7.6	8.5
Other	**0.1**	2.5	3.6
Subtotal	**12.7**	17.4	61.6
Other expansion primarily through volume and price changes			
Waste services	**4.4**	7.1	5.9
Passenger services	**0.6**	5.6	4.4
Other	**0.2**	0.5	0.5
Subtotal	**5.2**	13.2	10.8
Foreign exchange rate changes			
Waste services	**0.7**	0.9	0.4
Passenger services	**0.7**	0.8	(0.1)
Other	**0.2**	0.2	0.1
Subtotal	**1.6**	1.9	0.4
Total	**19.5%**	32.5%	72.8%

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

	Percentage Increase (Decrease)		
	Year 1989 Over 1988	Year 1988 Over 1987	Year 1987 Over 1986
Waste services			
Acquisitions	**11.9%**	13.7%	132.7%
Other, primarily through volume and price changes	**8.4**	13.1	15.8
Foreign exchange rate changes	**1.3**	1.6	1.3
Total	**21.6%**	28.4%	149.8%
Passenger services			
Acquisitions	**15.3%**	18.2%	14.4%
Other, primarily through volume and price changes	**1.5**	13.6	7.4
Foreign exchange rate changes	**1.8**	2.0	(0.2)
Total	**18.6%**	33.8%	21.6%
Other			
Acquisitions	**0.7%**	53.9%	98.1%
Other, primarily through volume and price changes	**3.4**	11.6	13.8
Foreign exchange rate changes	**2.6**	3.8	2.8
Total	**6.7%**	69.3%	114.7%

Increases in revenue attributable to changes in volume were restricted in 1989 as a result of the Company's intentional lapsing of marginally profitable contracts for residential waste collection in the United States and also by the loss of a substantial, profitable passenger bus service contract in Canada.

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	**1989**	1988	1987
Waste services	**30**	12	10
Passenger services	**10**	14	10
Other	—	1	2

	Annualized Revenue (Approximate)		
Year Ended August 31	**1989**	1988	1987
Waste services	**$152,000**	$115,000	$271,000
Passenger services	**48,000**	97,000	43,000
Other	—	7,000	33,000

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

	Revenue						Growth Rates		
	Year Ended August 31						**Year 1989 Over 1988**	Year 1988 Over 1987	Year 1987 Over 1986
	1989		1988		1987				
U.S.A.	**$1,058,701**	**74.9%**	$ 859,247	72.6%	$648,916	72.7%	**23.2%**	32.4%	115.8%
Canada	**354,674**	**25.1**	323,727	27.4	243,934	27.3	**9.6**	32.7	12.9
	$1,413,375	**100.0%**	$1,182,974	100.0%	$892,850	100.0%	**19.5**	32.5	72.8

Cost of operations and operating profit margins

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 82.5% in 1989, compared with 82.7% in 1988 and 84.2% in 1987.

In 1989, while the overall operating cost ratio improved slightly, there was a significant improvement attributable to the increased proportion of activity in the transfer and disposal of both solid and chemical wastes, offset by significant increases in driver recruitment and training costs in the passenger services segment.

The improvement in 1988 in the operating cost ratio was primarily attributable to improvements in the waste services segment.

1987 costs reflect an overall netting effect of higher depreciation and amortization charges pertaining to the GSX acquisition and an upgrading of the waste services fleet and higher operating costs relating to the integration of GSX with existing business, offset by increased efficiencies in the passenger services operations primarily attributable to operating cost synergies occurring with 1987 acquisitions.

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

Year Ended August 31	**1989**	1988	1987
Waste services	**19.5%**	16.7%	13.9%
Passenger services	**15.8**	18.5	19.2
Other	**10.0**	13.0	8.1
Consolidated	**17.5**	17.3	15.8

Margins for the waste services segment reached 19.5% in 1989 compared with 16.7% in 1988 as a result of the higher margins attributable to increased proportion of activity in the transfer and disposal of both solid and chemical wastes, the elimination of low margin waste collection operations and other productivity improvements. Management expects these productivity improvements can be maintained. The passenger services segment margins declined to 15.8% in 1989 from 18.5% in 1988 primarily due to higher bus driver recruiting and training costs in certain areas where unemployment continues to be very low. Management expects the increased costs of recruitment and training in certain areas will continue in fiscal 1990 with some offset from increased contract revenue. On a consolidated basis, the operating margins increased slightly in 1989 as a result of the increased contribution from the waste services segment offset by the reduction in passenger services margins.

In 1988, margins for the waste services operations increased and passenger services margins decreased slightly due to the same trends as discussed for 1989. On a consolidated basis, the operating margins increased primarily as a result of the increased contribution from waste services.

Margins for the waste services segment were reduced slightly in 1987 compared with 1986 primarily as a result of the continuing effects of the integration of GSX operations with existing business. In 1987, significant gains in operating margins of the passenger services segments were achieved as a result of the increased maturity of the business in most areas. On a consolidated basis, a significant gain in margins from 14.8% to 15.8% was achieved as a result of the contribution from the passenger services segment.

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

	Income From Operations						Growth Rates		
	Year Ended August 31						**Year 1989 Over 1988**	Year 1988 Over 1987	Year 1987 Over 1986
	1989		1988		1987				
Waste services	**$146,322**	**59.2%**	$103,086	50.5%	$ 66,725	47.2%	**41.9%**	54.5%	143.3%
Passenger services	**93,288**	**37.8**	92,011	45.1	71,342	50.5	**1.4**	29.0	48.6
Other	**7,388**	**3.0**	9,024	4.4	3,303	2.3	**(18.1)**	173.2	176.2
	$246,998	**100.0%**	$204,121	100.0%	$141,370	100.0%	**21.0**	44.4	84.5

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 the waste services and passenger services segments, and severely affects the other segment during the Company's second fiscal quarter. See also Note 14 of Notes to Consolidated Financial Statements.

Interest expense

Interest expense in 1989 has increased by 132.2% to $65.4 million in 1989. The increase is attributable to a much higher average borrowing level during the year and interest rate increases in Canada and the United States. Increases in borrowings were primarily associated with increases in long-term investments.

In 1988, the Company experienced a much lower average borrowing level during the first two fiscal quarters as a result of the May, 1987 sale of Class B Non-Voting Shares and the August, 1987 exercise of warrants to purchase Class B Non-Voting Shares. This resulted in a decrease in interest expense in 1988 of 7.9% from 1987.

Interest expense in 1987 increased 106.1% from 1986 as a result of increased average borrowing levels for the year, primarily due to the GSX acquisition effective October 1, 1986.

Interest, dividend and other income

In 1989, the Company at a cost of $197.2 million (including $63.6 million from the sale of the Company's Florida waste services operations) purchased common shares of Attwoods plc and preference shares of Attwoods Finance N.V. which are convertible into common shares of Attwoods plc, representing 22.5% on a basic and 34.2% on a fully diluted basis of the outstanding shares of Attwoods plc.

Attwoods plc, a United Kingdom based company, traded on the London Stock Exchange and through the NASDAQ System in the United States, conducts a solid waste removal and disposal business with annual revenue of approximately $230 million, of which, 75% is from the United States and 25% from the United Kingdom and West Germany. As a result of the sale of the Company's Florida waste services operations, and the elimination thereby of the competing aspects of the two companies' businesses, the Company will commence to equity account for its investment in Attwoods plc from September 1, 1989.

Interest, dividend and other income, including the dividend income from the investment in Attwoods plc, increased by $11.9 million in 1989 as a result of increased returns on higher investment levels and gains on sale of investments.

In 1988, interest, dividend and other income decreased by $2.1 million due to a reduction in the amount of purchased tax benefits compared to 1987, offset to some extent by higher returns on investments, particularly during the last half of the fiscal year.

In 1987, interest, dividend and other income increased by $4.4 million as a result of the Company's increased investment in various floating rate securities, the purchase and realization of various tax benefits and the gains on sale of securities.

Equity in earnings of associated company

This income results from the Company's equity in earnings of ADT Limited, a Bermuda company, traded on the United Kingdom and North American public stock markets and conducting electronic security services primarily throughout U.S.A., Canada, and Europe and vehicle auctions in the United Kingdom and United States. During 1989 (primarily April, 1989), the Company acquired ownership in ADT Limited that amounted to 24.1% as at August 31, 1989 at a total cost of $484.3 million.

On September 18, 1989 the Company acquired additional shares of ADT Limited for $210.6 million, which increased its ownership percentage to 28.8%.

Management believes that this entry into two more lines of services business, electronic security services and vehicle auctions, offers a significant opportunity to become represented in industries which, while they cannot be assimilated into the Company's existing lines of businesses, do have similar characteristics for future growth. The electronic security services business and the vehicle auctions business are relatively recession proof, fragmented, not labour intensive, have a high cost of entry and provide opportunities for continuing improvements in operating margins and growth from expanding service demand and acquisitions.

Unusual items

Unusual items include a gain on sale of certain operations and write down of certain long-term investments.

In July, 1989, the Company sold its waste services operations in Florida to Attwoods plc of the United Kingdom in exchange for preference shares of Attwoods Finance N.V. convertible into common shares of Attwoods plc valued at $63.6 million. This transaction resulted in a gain on sale of approximately $35.5 million ($21.3 million on an after-tax basis).

Certain long-term investments in the amount of $11.5 million ($9.0 million on an after-tax basis) have not performed as originally envisaged, and provision has been made for a reduction in their value to the Company.

These unusual items amount to $24.0 million ($12.3 million on an after-tax basis) or a contribution of 6 cents per share.

Minority interest

Minority interests were eliminated by the redemption in 1988 of the publicly held preference shares by Grey Goose Corporation Limited and by the repurchase in December, 1987 by Laidlaw Industries Inc. of all of its common shares not owned by the Company.

Net income and earnings per share

Net income increased by 43.0% in 1989, 59.8% in 1988 and 93.6% in 1987 primarily due to the various factors discussed previously. As a percentage of revenue, net income was 14.9%, 12.5%, and 10.3% for 1989, 1988 and 1987, respectively.

Earnings per share increased 31.6%, 43.4%, and 76.7% to $1.00, $0.76, and $0.53, respectively, in each of 1989, 1988 and 1987. In 1989, 6 cents per share was derived from unusual items. Excluding the unusual items, earnings per share of 94 cents increased 23.7% from 1988. These increases are after providing for increases of 14.5% in 1989, 14.5% in 1988 and 12.7% in 1987 in the average number of common shares outstanding and after providing for preference dividends of $8.4 million in 1989, $13.8 million in 1988 and $10.5 million in 1987.

Preference share dividends increased by $3.3 million in 1988 and $4.0 million in 1987 as a result of the issue in February, 1987 of $147.2 million of 5% Cumulative Convertible First Preference Shares Series G. The decrease in preference share dividends of $5.4 million in 1989 is the result of the conversion during 1989 and 1988 (primarily during August, 1988) of 4,686,119 Series F First Preference Shares into 14,180,621 Class B Non-Voting Shares.

The Company's consolidated financial statements have been prepared in accordance with Canadian GAAP which, conform in all material respects with U.S. GAAP except for the reporting in 1988 of the Company's subsidiary's capital transaction, as disclosed in Note 9 of Notes to Consolidated Financial Statements.

Under U.S. GAAP, the Company would be required to adopt the liability method of accounting for income taxes beginning September 1, 1990. The Company is continuing to study the effect of this change. The final impact of the effect of adopting the liability method on the Company's operating results and financial position has not been determined due to the complexity of the calculations required. The Company prepares its financial statements in accordance with Canadian GAAP and any adjustment which would be required to reflect the liability method of accounting for income taxes would be a Canadian-U.S. GAAP reconciling item.

Financial condition

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

Year Ended August 31	**1989**		1988		1987	
Long-term debt	**$ 899,012**	**36.9%**	$ 514,036	35.1%	$ 180,201	16.3%
Deferred income taxes	**63,812**	**2.6**	43,807	3.0	29,400	2.7
Minority interest	**—**	**—**	—	—	31,128	2.8
Shareholders' equity	**1,477,194**	**60.5**	906,630	61.9	862,867	78.2
	$2,440,018	**100.0%**	$1,464,473	100.0%	$1,103,596	100.0%

During the year, long-term debt increased by a net $385.0 million. The changes in long-term debt were primarily attributable to the following:

- The acquisition of the interest in ADT Limited and Attwoods plc for $681.5 million.
- The public issue in March, 1989 of 28 million Class B Non-Voting Shares, for net proceeds of $416.3 million, which was used to repay long-term debt.
- The net capital expenditures throughout the year, of $471.4 million on normal replacement of fixed assets and on the acquisitions of businesses.
- Net cash provided by operating activities during the year of $287.1 million.

On December 28, 1988, the Company issued 9.49% notes due on December 29, 1993 for an aggregate of $155 million, which was used to repay revolving/term bank loans. After entering into an interest rate swap contract, these notes bear a floating interest cost to the Company of LIBOR plus $^{1}/_{5}$%.

On May 2, 1989, the Company issued 10.47% notes due on November 1, 1994 for an aggregate of $170 million, which was used to repay revolving/term bank loans.

The change in deferred income taxes was the result of normal timing differences relating to tax and book depreciation.

Shareholders' equity increased by a net $570.6 million. The increase was primarily attributable to the public issue of 28 million Class B Non-Voting Shares for net proceeds of $416.3 million and to net earnings retained of $163.0 million after dividends of $47.8 million.

In 1988, increases in capital resulted primarily from (i) the net increase of $333.6 million in long-term debt, which included an increase of $233.5 million in connection with acquisitions and (ii) retained earnings for the year which, after providing for dividends of $39.7 million, amounted to approximately $107.7 million. As a result of Laidlaw Industries, Inc. repurchasing the 21% of its common shares not owned by the Company for approximately $94.5 million, the minority interest in Laidlaw Industries, Inc. in the amount of $29.0 million was eliminated 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.

In 1987, increases in capital resulted primarily from (i) the public issue in February, 1987 of 5% convertible, cumulative, redeemable preference shares for net proceeds of $144.5 million, (ii) the public issue in May, 1987 of 11 million Class B Non-Voting Shares and 11 million 1988 Class B Non-Voting Share Purchase Warrants for net proceeds of $169.3 million, (iii) the exercise of Class B Non-Voting Share Purchase Warrants during the fourth quarter of 1987 for proceeds of $103.7 million, (iv) retained earnings for the year which, after providing for preference and common dividends of $24.3 million, amounted to approximately $68.0 million, and (v) the net increase in long-term debt of $42.6 million. The proceeds of the share issues in 1987 were used primarily to retire debt which had been incurred primarily in respect of the GSX acquisition.

The Company had revolving/term bank lines of credit primarily for acquisition and expansion purposes for a total of $1,186 million of which approximately $641 million was unused as at August 31, 1989 and in respect of which there are no commitment fees or compensating balance requirements. The Company is, however, required to maintain certain balance sheet ratios, all of which have been met at August 31, 1989.

Cash from operations before financing working capital

Cash from operations before financing working capital was $331.6 million, $275.4 million and $187.0 million in 1989, 1988 and 1987, respectively, representing increases from the previous years of 20.4%, 47.3%, and 87.6%.

Cash, short-term deposits and marketable securities which can be liquidated readily were $70.0 million, $110.5 million, and $119.4 million at August 31, 1989, 1988 and 1987, respectively.

In 1989, trade and other accounts receivable increased by $47.4 million attributable to expanded operations. The average number of days sales outstanding has increased from 43 in 1988 to 48 in 1989 as a result of acquisitions made in the fourth quarter contributing to receivables growth proportionately larger than to revenue for the year.

In 1988, other accounts receivable increased by $28.6 million attributable to expanded operations. Income taxes recoverable decreased and income taxes payable increased a net total of $24.3 million reflecting a combination of increased profitability and the significant reduction in the utilization of purchased tax benefits realized in prior years.

In 1987, trade and other accounts receivable increased by $59.1 million and accounts payable and accrued liabilities increased by $78.0 million attributable to the GSX acquisition and expanded operations.

Management believes that the existing level of working capital is adequate for the Company's normal growth and operating needs. Trade and other accounts receivable represent the largest portion of current assets totalling $186.4 million at August 31, 1989. The Company bills substantially all of its customers on a 30-day cycle basis and accounts receivable are generally paid on a timely basis.

Capital expenditures and capital resources

Net expenditures for purchases of property, vehicles and other equipment and acquisitions of businesses were $471.4 million, $453.4 million, and $612.3 million in 1989, 1988 and 1987, respectively. Included in these amounts were $299.5 million, $228.0 million, and $441.4 million expended to acquire businesses in 1989, 1988 and 1987, respectively. In 1989, the Company invested $681.5 million to acquire its investments in ADT Limited and Attwoods plc (including $63.6 million from the sale of the Company's Florida waste services operations).

Acquisitions of businesses have generally been financed with revolving bank loans at rates of at least one percent below prime. Purchases of vehicles and other equipment have generally been made from funds generated internally.

Capital expenditures for the purchase of property, vehicles and other equipment for fiscal 1990 are expected to be approximately $200 million, which will represent normal replacement requirements and purchases of additional equipment 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 internal cash flows from operations are adequate to finance the aforementioned capital expenditures budget as well as to service existing debt. At September 30, 1989, the Company had unused bank lines of credit of approximately $410 million available for the Company's routine program of the acquisition of smaller businesses. In the event that a large acquisition is contemplated, management is confident that additional appropriate lines of credit can be negotiated at that time.

Consolidated Statements of Income and Retained Earnings

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

Year Ended August 31	**1989**	1988	1987
Revenue	**$1,413,375**	$1,182,974	$892,850
Operating expenses	**933,800**	798,860	611,954
Selling, general and administrative expenses	**87,697**	69,630	53,184
Depreciation and amortization	**144,880**	110,363	86,342
Income from operations	**246,998**	204,121	141,370
Interest on long-term debt	**(65,401)**	(28,167)	(30,569)
Interest, dividend and other income	**33,872**	21,945	24,052
Equity in earnings of associated company	**18,210**	—	—
Unusual items (Note 6)	**24,006**	—	—
Income before income taxes and minority interest	**257,685**	197,899	134,853
Income taxes (Note 7)	**46,900**	49,268	38,500
Income before minority interest	**210,785**	148,631	96,353
Minority interest	**—**	1,225	4,081
Net income	**$ 210,785**	$ 147,406	$ 92,272
Earnings per share (Note 8)	**$1.00**	$0.76	$0.53

Retained earnings – beginning of year	**$ 238,743**	$ 196,445	$134,445
Net income	**210,785**	147,406	92,272
Dividends – Preference Shares	**(8,361)**	(13,769)	(10,449)
– Class A and Class B Non-Voting Shares	**(39,398)**	(25,889)	(13,872)
Share issue expenses (net of income taxes)	**(3,558)**	—	(5,951)
Subsidiary's excess cost over book value on buy back of its common shares	**—**	(65,450)	—
Retained earnings – end of year	**$ 398,211**	$ 238,743	$196,445

The accompanying notes are an integral part of these statements.

Auditors' Report to the Shareholders

We have examined the consolidated balance sheets of Laidlaw Transportation Limited as at August 31, 1989 and 1988 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, 1989. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at August 31, 1989 and 1988 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, 1989 in accordance with accounting principles generally accepted in Canada applied on a consistent basis.

Coopers and Lybrand

Hamilton, Canada
October 11, 1989

Coopers & Lybrand
Chartered Accountants

Consolidated Statements of Changes in Financial Position

(U.S. $000's omitted)

Year Ended August 31	1989	1988	1987
Net cash provided by (used in):			
Operating activities	$ 287,087	$ 270,710	$ 210,074
Investing activities	(1,088,891)	(462,861)	(611,086)
Financing activities	761,308	183,196	401,034
	(40,496)	(8,955)	22
Cash, short-term deposits and marketable securities – beginning of year	110,452	119,407	119,385
Cash, short-term deposits and marketable securities – end of year	$ 69,956	$ 110,452	$ 119,407
Operating activities			
Net income	$ 210,785	$ 147,406	$ 92,272
Components of net income which increase (decrease) funds:			
Depreciation and amortization	144,880	110,363	86,342
Deferred income taxes	16,819	15,992	1,744
Equity in earnings of associated company	(18,210)	—	—
Unusual items (Note 6)	(24,006)	—	—
Other	1,379	1,677	6,657
Cash from operations before financing working capital	331,647	275,438	187,015
Cash provided by (used in) financing working capital:			
Trade and other accounts receivable	(47,388)	(28,626)	(59,099)
Income taxes recoverable	2,399	12,963	4,238
Inventories	(4,472)	(2,779)	(4,895)
Other current assets	(4,032)	(6,754)	(1,817)
Accounts payable and accrued liabilities	5,210	9,114	77,967
Income taxes payable	3,723	11,354	6,665
Net cash provided by operating activities	$ 287,087	$ 270,710	$ 210,074
Investing activities			
Proceeds from sale of property and equipment			
Sale of Florida waste services operations (Note 6)	$ 63,606	$ —	$ —
Other	26,809	29,231	17,891
Purchase of property and equipment	(187,868)	(244,666)	(179,563)
Purchase of other assets	(10,843)	(9,953)	(9,277)
Purchased on acquisitions (Note 10):			
Property and equipment	(253,878)	(170,993)	(360,730)
Other assets	(45,637)	(56,988)	(80,667)
Proceeds from sale of other long-term investments	12,310	8,949	13,406
Increase in long-term investments			
– ADT Limited and Attwoods plc	(681,500)	—	—
– Other	(11,890)	(18,441)	(12,146)
Net cash used in investing activities	$(1,088,891)	$(462,861)	$(611,086)
Financing activities			
Net proceeds from public issues (Note 4)	$ 416,759	$ —	$ 313,761
Proceeds from conversion of warrants (Note 4)	—	—	103,679
Increase in long-term debt	1,486,847	249,015	182,516
Increase in long-term debt on acquisitions (Note 10)	297,581	233,477	425,704
Reduction in long-term debt	(1,391,724)	(163,828)	(591,286)
Dividends	(47,759)	(39,658)	(24,321)
Purchase of minority interest	—	(1,360)	(4,060)
Repurchase of preference shares for redemption (Note 4)	(396)	—	(4,959)
Subsidiary's buy back of its common shares (Note 9)	—	(94,450)	—
Net cash provided by financing activities	$ 761,308	$ 183,196	$ 401,034

The accompanying notes are an integral part of these statements.

Consolidated Balance Sheets

(U.S. $000's omitted)

August 31	1989	1988
Assets		
Current assets		
Cash and short-term deposits	$ 2,594	$ 21,156
Marketable securities – at cost (market value – $65,507; August 31, 1988 – $85,631)	67,362	89,296
Trade and other accounts receivable (net of allowance for doubtful accounts of $3,106; August 31, 1988 – $3,426)	186,432	139,044
Income taxes recoverable	–	2,399
Inventories	26,248	21,776
Other current assets	22,027	17,995
Total current assets	304,663	291,666
Long-term investments (Note 2)	716,044	26,732
Fixed assets		
Land, landfill sites and improvements	637,564	444,033
Buildings	95,823	79,603
Vehicles and other equipment	982,365	809,266
	1,715,752	1,332,902
Less: Accumulated depreciation and amortization	371,436	257,674
	1,344,316	1,075,228
Other assets		
Excess cost of businesses purchased over fair value of net tangible assets acquired (net of accumulated amortization of $23,887; August 31, 1988 – $15,789)	278,519	235,963
Deferred charges	7,734	7,338
	286,253	243,301
	$ 2,651,276	$1,636,927

The accompanying notes are an integral part of these statements.

Signed on behalf of the Board

Michael G. DeGroote, Director

Donald M. Green, C.M., Director

August 31	1989	1988
Liabilities		
Current liabilities		
Accounts payable	**$ 55,883**	$ 91,572
Accrued liabilities	**91,107**	48,385
Income taxes payable	**18,999**	20,176
Current portion of long-term debt (Note 3)	**45,269**	12,321
Total current liabilities	**211,258**	172,454
Long-term debt (Note 3)	**899,012**	514,036
	1,110,270	686,490
Deferred income taxes	**63,812**	43,807
	1,174,082	730,297
Commitments and contingency (Notes 11 and 12)		
Shareholders' equity		
Preference Shares (Note 4)	**147,101**	151,582
Class A Shares; issued and outstanding 47,632,092 (August 31, 1988 – 47,632,092) (Note 4)	**2,871**	2,871
Class B Non-Voting Shares; issued and outstanding 170,708,039 (August 31, 1988 – 141,855,882) (Note 4)	**946,094**	521,641
Contributed capital (Note 4)	**14,516**	14,516
Cumulative foreign currency translation adjustments (Note 5)	**(31,599)**	(22,723)
Retained earnings	**398,211**	238,743
Total shareholders' equity	**1,477,194**	906,630
	$ 2,651,276	$1,636,927

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

1. Significant accounting policies

The consolidated financial statements of Laidlaw Transportation Limited ("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 9, the consolidated financial statements conform, in all material respects, with accounting policies generally accepted in the United States ("U.S. GAAP").

Consolidation

The consolidated financial statements include the accounts of Laidlaw Transportation Limited 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

The investment in shares of ADT Limited is accounted for by the equity method, by which the original cost of the shares is adjusted for the Company's share of earnings or losses less dividends received since significant influence was acquired. 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 over their estimated useful lives substantially on a straight-line basis.

Other assets

The excess cost of businesses purchased over 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 cost.

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 exchange

The Company's Canadian operations are all of a self-sustaining nature. Their 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
- Income and expenses at weighted monthly average exchange rates for the year.

Comparative figures

Certain figures as at August 31, 1988 and for the years ended August 31, 1988 and 1987 have been reclassified to conform to the current year's presentation.

2. Long-term investments ($000's omitted)

August 31	1989	1988
Investment in ADT Limited accounted for by the equity method (market value – $570,349; ownership percentage – 24.1%)	$502,500	$ —
Other long-term investments		
Attwoods plc (market value – $212,321)	197,210	—
Other	16,334	26,732
	213,544	26,732
	$716,044	$26,732

During the year, the Company acquired its interest in ADT Limited and the excess of the cost over its share of the underlying net tangible assets at the time of acquisition of $196.5 million is being amortized on a straight-line basis over forty years.

On September 18, 1989, the Company acquired additional shares of ADT Limited for $210.6 million, which increased its ownership percentage to 28.8%.

Effective August 31, 1989, the Company sold its waste services operations in the State of Florida to Attwoods plc and received as consideration Convertible Preference Shares of Attwoods Finance NV (Note 6) in the amount of $63.6 million. At August 31, 1989, the Company's investment, represented by both common shares of Attwoods plc and preferred shares of Attwoods Finance NV, which are convertible into common shares of Attwoods plc, constituted 22.5% of the voting common shares of Attwoods plc and 34.2% of the votes on a fully converted basis.

As a result of the sale of the Company's Florida waste services operations, and the elimination thereby of the competing aspects of the two companies' businesses, the Company will commence to equity account for its investment in Attwoods plc from September 1, 1989.

Summarized financial information for ADT Limited as at December 31, 1988 and for the twelve months then ended, which has been extracted from the most recent audited financial information available, is as follows ($000's omitted):

Revenues	$1,758,100
Income from operations	183,400
Income from continuing operations	106,600
Net income	22,110
Current assets	1,317,200
Non-current assets	2,022,300
Current liabilities	655,200
Non-current liabilities	1,150,400
Redeemable preference stock	840,900

In the opinion of the Company's management, there has been no material adverse change in ADT's business activities since December 31, 1988.

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

August 31	1989	1988
Revolving/term bank loans (interest rates averaging 9.87% at August 31, 1989)	**$525,708**	$493,998
10.47% Notes due November 1, 1994	**170,000**	–
9.49% Notes due December 29, 1993, with interest rates, as a result of a swap agreement, of LIBOR plus 1/5%	**155,000**	–
Notes due at various dates to 1996, with interest rates from 6% to 11.25%	**87,635**	11,998
Other, including mortgages, lien notes and obligations under capital leases	**5,938**	20,361
	944,281	526,357
Less current portion	**45,269**	12,321
	$899,012	$514,036

Long-term debt includes $90.3 million of long-term debt denominated in Canadian dollars.

On August 31, 1989, the Company had available $1,186 million (August 31, 1988 – $830 million) of revolving/term bank credit agreements of which approximately $641 million (August 31, 1988 – $277 million) was unused, with interest generally at the lower of bank prime rates or money market rates plus fees of approximately 3/8% and without compensating balances or standby fee requirements. Each revolving period extends for two years and if not extended, the line to the extent being used at the end of the revolving period will 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, 1989.

The aggregate amount of minimum payments required on long-term debt in each of the years indicated below is as follows ($000's omitted):

Year ending August 31,	1990	$ 45,269
	1991	28,991
	1992	103,747
	1993	103,881
	1994	279,521
	thereafter	382,872
		$944,281

4. Capital stock

(a) Authorized

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

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

(b) Issued and fully paid preference shares ($000's omitted except per share amounts)

August 31	1989	1988
6 3/4% Cumulative Convertible First Preference Shares Series F; issued and outstanding – Nil (August 31, 1988 – 244,510)	**$ –**	$ 4,475
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. $5 at any time before February 18, 1991 and upon payment of Cdn. $8 at any time thereafter and on or before the earlier of February 17, 1994 and the day preceding the date fixed for redemption. They are not redeemable prior to February 18, 1991, are redeemable thereafter and 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 9,997,350 (August 31, 1988 – 9,997,734)	**147,101**	147,107
	$147,101	$151,582

(c) Material changes in all classes of Capital Stock since September 1, 1986

(i) The Company subdivided both the Class A Shares and Class B Non-Voting Shares on a three for two basis effective September 12, 1986 and May 19, 1987. The information presented herewith has been adjusted retroactively to reflect the subdivisions.

(ii) On February 17, 1987, the Company issued 10,000,000 Convertible First Preference Shares Series G for net proceeds of $144,506,000.

(iii) On March 4, 1987, the Company redeemed 644,014 8% Cumulative First Preference Shares Series E at a stated value of Cdn. $10 each plus a premium of 4% of the stated value for a total cost of $4,959,000.

(iv) On May 28, 1987, the Company issued 11,000,000 units, each of which consisted of one Class B Non-Voting Share and one 1988 Class B Share Purchase Warrant for net proceeds of $169,255,000 of which $14,516,000 attributable to the warrants was credited to contributed capital.

(v) During the fourth quarter of 1987, Class B Share Purchase Warrants were exercised, resulting in the issue of 13,485,600 Class B Non-Voting Shares for proceeds of $103,679,000.

(vi) Effective August 26, 1988, 10,999,000 1988 Class B Share Purchase Warrants expired.

(vii) During 1988 (primarily in August 1988), 4,460,583 6¾% Cumulative Convertible First Preference Shares Series F with a stated value of $81,640,000 were converted to 13,561,915 Class B Non-Voting Shares.

(viii) During the first quarter of fiscal 1989, the 6¾% Cumulative Convertible First Preference Shares Series F were called for redemption. Prior to redemption, 225,536 of these 6¾% Cumulative Convertible First Preference Shares Series F with a stated value of $4,128,000 were converted to 618,706 Class B Non-Voting Shares. The remaining 18,974 6¾% Cumulative Convertible First Preference Shares Series F with a stated value of $347,000 were redeemed at a total cost of $396,000.

(ix) On March 21, 1989, the Company issued 28,000,000 Class B Non-Voting Shares for net proceeds of $416,254,000.

(x) On May 1, 1989, stock options representing 232,875 Class B Non-Voting Shares were exercised for proceeds of $505,000.

(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 of which 2,467,125 remain to be issued. The Plan provides 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 and are exercisable on the fifth anniversary of their date of granting. At August 31, 1989, the aggregate options outstanding represented 1,517,000 Class B Non-Voting Shares and were exercisable as follows:

276,750 Class B Non-Voting Shares at Cdn. $5.48 per share exercisable May 1, 1990
270,000 Class B Non-Voting Shares at Cdn. $8.33 per share exercisable May 1, 1991
233,000 Class B Non-Voting Shares at Cdn. $18.42 per share exercisable May 1, 1992
287,750 Class B Non-Voting Shares at Cdn. $14.63 per share exercisable May 1, 1993
449,500 Class B Non-Voting Shares at Cdn. $15.75 per share exercisable May 1, 1994

5. Cumulative foreign currency translation adjustments

An analysis of the cumulative foreign currency translation adjustments included in shareholders' equity is as follows ($000's omitted):

August 31	**1989**	1988
Balance – beginning of year	**$(22,723)**	$ (24,178)
Translation adjustments for the year	**(8,876)**	1,455
Balance – end of year	**$(31,599)**	$ (22,723)

6. Unusual items

Unusual items consist of ($000's omitted):

Year Ended August 31	**1989**	1988	1987
Gain on sale of Florida waste services operations (Note 2)	**$ 35,506**	$ —	$ —
Write down of long-term investments due to permanent impairment in value	**(11,500)**	—	—
	$ 24,006	$ —	$ —

The effect on earnings per share of these unusual items, net of income taxes, is $0.06 per share.

7. Income taxes

Income before income taxes and provision for income taxes by geographic area are as follows ($000's omitted):

Year Ended August 31	**1989**	1988	1987
Income before income taxes			
United States and foreign	**$243,749**	$136,815	$ 91,919
Canada	**13,936**	61,084	42,934
	$257,685	$197,899	$134,853
Provision for current income taxes			
United States and foreign	**$ 27,380**	$ 12,101	$ 15,958
Canada	**2,701**	21,175	12,112
	30,081	33,276	28,070
Provision for deferred income taxes			
United States and foreign	**13,982**	13,076	10,296
Canada	**2,837**	2,916	134
	16,819	15,992	10,430
Total provision for income taxes	**$ 46,900**	$ 49,268	$ 38,500
The Company's effective income tax rates are as follows:			
Combined basic Canadian Federal and Provincial income tax rate	**43.5%**	49.3%	51.3%
Canadian Federal surtax	**0.1**	0.2	0.3
Effect of lower tax rates applicable to U.S. and foreign income	**(22.4)**	(21.7)	(17.4)
Effect of lower tax rate applicable to dividend and other income and equity in earnings of associated company	**(4.2)**	(3.3)	(6.6)
Other	**1.2**	0.4	0.9
	18.2%	24.9%	28.5%

Under U.S. GAAP the Company will be required to adopt the liability method of accounting for income taxes for its fiscal year beginning September 1, 1990. The Company is continuing to study the effect of this change. The final impact of the effect of adopting the liability method on the Company's operating results and financial position has not been determined due to the complexity of the calculations required. The Company prepares its financial statements in accordance with Canadian GAAP and any adjustment which would be required to reflect the application of the liability method of accounting for income taxes will be a Canadian-U.S. GAAP reconciling item.

8. Earnings per share

The earnings per share figures are calculated using the weighted average number of shares outstanding during the respective fiscal years adjusted for stock splits. 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 per share from operations is as follows ($000's omitted except per share amounts):

Year Ended August 31	**1989**	1988	1987
Net income	**$210,785**	$147,406	$ 92,272
Preference share dividends	**8,361**	13,769	10,449
Income available for earnings per share calculation	**202,424**	133,637	81,823
Weighted average number of shares outstanding (in thousands)	**202,704**	176,974	154,547
Earnings per share	**$1.00**	$0.76	$0.53

9. Canadian and United States accounting principles

These consolidated financial statements have been prepared in accordance with Canadian GAAP which in the case of the Company conforms in all material respects with U.S. GAAP except as noted below.

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, 1989, this treatment would have had the approximate effect of increasing the carrying values of certain landfill properties by $4.7 million (1988 – $5.0 million), the excess cost of businesses purchased over fair value of net tangible assets acquired by $57.5 million (1988 – $59.0 million), and the total assets and shareholders' equity by $62.2 million (1988 – $64.0 million). The effect would be immaterial to net income and earnings per share in 1989 and 1988 under U.S. GAAP.

10. Acquisitions

During the current year, the Company purchased 30 waste services businesses, and ten passenger services businesses. During the year ended August 31, 1988, the Company purchased 12 waste services businesses, 14 passenger services businesses and one other business. During the year ended August 31, 1987, the Company purchased ten waste services businesses, ten passenger services businesses and two other 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 ($000's omitted):

Year Ended August 31	**1989**	1988	1987
Net tangible assets acquired at book value	**$132,788**	$ 74,492	$127,982
Increase of net tangible assets to fair value at dates of acquisition	**126,504**	63,232	206,378
Excess of cost over fair value of net tangible assets acquired	**35,377**	49,581	83,084
Total consideration given	**$294,669**	$187,305	$417,444
Total use of working capital on these acquisitions consisted of:			
Non-current assets acquired	**$299,515**	$227,981	$421,127
Non-current liabilities assumed	**19,826**	46,994	14,943
	279,689	180,987	406,184
Long-term debt financing	**277,755**	187,305	410,761
Net increase (decrease) in working capital	**$ (1,934)**	$ 6,318	$ 4,577

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 ($000's omitted except per share amounts):

Year Ended August 31	**1989**	1988	1987
Income statement data			
Revenue	**$1,525,121**	$1,455,453	$1,073,943
Net income	**213,905**	150,649	92,531
Earnings per share	**$1.01**	$0.77	$0.53

11. Lease commitments

Rental expense incurred under operating leases was $23,140,000, $21,202,000 and $14,828,000 in 1989, 1988 and 1987, respectively.

Rentals payable under operating leases for premises and equipment are as follows ($000's omitted):

Year ending August 31, 1990	$22,606
1991	19,358
1992	13,508
1993	11,003
1994	9,925
thereafter	22,219

12. Contingent commitment

The Company has been party to certain legal proceedings concerning the purchase of the issued shares of Tricil Limited, a waste services company, with operations in both the U.S. and Canada, which has been 50% owned by each of Trimac Limited and CIL Inc. On September 12, 1989, the Court of Queens Bench of Alberta issued its judgement that Trimac Limited is entitled to acquire the Tricil Limited shares owned by CIL Inc. for Cdn. $91 million. Pursuant to an agreement between Trimac Limited and the Company, in the event Trimac acquires these shares, the Company is committed to purchase 100% of the outstanding shares of Tricil at a cost equal to Cdn. $182 million with interest from January 1, 1988 on Cdn. $91 million. CIL Inc. has appealed the decision to the Court of Appeal of Alberta. Based on the advice of the Company's legal counsel, management remains highly confident that it will succeed in acquiring Tricil Limited.

13. Segmented information ($000's omitted)

Services

Year Ended August 31	Waste Services 1989	1988	1987
Revenue	**$ 750,687**	$617,416	$481,036
Income from operations	**146,322**	103,086	66,725
Total identifiable assets	**1,137,431**	868,667	681,363
Capital expenditures	**324,475**	243,775	477,100
Depreciation and amortization	**77,435**	57,305	49,251

Year Ended August 31	Passenger Services 1989	1988	1987
Revenue	**$ 588,709**	$496,220	$370,860
Income from operations	**93,288**	92,011	71,342
Total identifiable assets	**634,537**	542,181	341,916
Capital expenditures	**164,059**	204,760	126,291
Depreciation and amortization	**59,181**	46,330	32,870

Year Ended August 31	Other 1989	1988	1987
Revenue	**$ 73,979**	$ 69,338	$ 40,954
Income from operations	**7,388**	9,024	3,303
Total identifiable assets	**62,790**	59,406	41,419
Capital expenditures	**6,450**	17,062	20,189
Depreciation and amortization	**6,278**	5,279	2,848

Geographic

Year Ended August 31	United States 1989	1988	1987
Revenue	**$1,058,701**	$ 859,247	$ 648,916
Income from operations	**187,034**	142,960	99,098
Total identifiable assets	**1,486,159**	1,168,998	865,394

Year Ended August 31	Canada 1989	1988	1987
Revenue	**$ 354,674**	$ 323,727	$ 243,934
Income from operations	**59,964**	61,161	42,272
Total identifiable assets	**348,599**	301,256	199,304

Consolidated

Year Ended August 31	1989	1988	1987
Revenue	**$1,413,375**	$1,182,974	$ 892,850
Income from operations	**246,998**	204,121	141,370
Net other expense (income)	**(10,687)**	6,222	6,517
Income taxes	**46,900**	49,268	38,500
Income before minority interest	**$ 210,785**	$ 148,631	$ 96,353
Total identifiable assets	**$1,834,758**	$1,470,254	$1,064,698
Corporate assets	**816,518**	166,673	189,475
Total assets	**$2,651,276**	$1,636,927	$1,254,173
Capital expenditures	**$ 498,226**	$ 482,600	$ 630,237
Depreciation and amortization	**144,880**	110,363	86,342

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

	Revenue	Income From Operations	Net Income	Earnings Per Share
Year ended August 31, 1989				
First quarter	$351,472	$63,277	$42,918	$0.22
Second quarter	326,400	57,140	42,002	0.21
Third quarter	389,641	70,566	54,729	0.25
Fourth quarter	345,862	56,015	71,136	0.32*
Year ended August 31, 1988				
First quarter	$286,612	$49,696	$33,694	$0.17
Second quarter	288,203	49,837	36,192	0.19
Third quarter	326,557	58,458	40,662	0.21
Fourth quarter	281,602	46,130	36,858	0.19

* Includes $0.06 from unusual items.

Selected Financial Information

The Company's Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in Canada ("Canadian GAAP"). These consolidated financial statements conform, in all material respects, with accounting principles generally accepted in the United States ("U.S. GAAP"), except for the reporting of the Company's subsidiary's capital transaction in 1988, the change in method of accounting for investment tax credits from the flow through method to the cost reduction method in 1986, and the reporting of the operations of a business that has been sold and the reporting of certain extraordinary items in 1985. Some line items characterized as extraordinary items in Canada in 1985 are considered unusual items in the U.S. Consequently, these items would be included in determining income before extraordinary items under U.S. GAAP. See also Note 9 of Consolidated Financial Statements.

Year Ended August 31	**1989**	1988	1987	1986	1985
Income Statement Data Under Canadian GAAP	($000's omitted except per share amounts)				
Revenue	**$1,413,375**	$1,182,974	$ 892,850	$516,733	$412,545
Income from operations	**246,998**	204,121	141,370	76,633	67,591
Income before income taxes, minority interest and extraordinary items	**257,685**	197,899	134,853	81,452	64,542
Income before extraordinary items	**210,785**	147,406	92,272	47,667	33,144
Net income	**210,785**	147,406	92,272	47,667	42,862
Earnings per share before extraordinary items	**$1.00**	$0.76	$0.53	$0.30	$0.23
Earnings per share	**1.00**	0.76	0.53	0.30	0.30
Dividends per Class A Share	**0.192**	0.147	0.089	0.055	0.048
Dividends per Class B Non-Voting Share	**0.192**	0.147	0.089	0.055	0.048
Average number of Class A and Class B Shares (000's)	**202,704**	176,974	154,547	137,187	137,040
Approximate Amounts Under U.S. GAAP					
Income before extraordinary item	**$ 210,785**	$ 147,406	$ 92,272	$ 49,433	$ 49,950
Net income	**210,785**	147,406	92,272	49,433	43,567
Earnings per share before extraordinary item	**$1.00**	$0.76	$0.53	$0.31	$0.36
Earnings per share	**1.00**	0.76	0.53	0.31	0.31
Balance Sheet Data (at end of year) Under Canadian GAAP					
Working capital	**$ 93,405**	$ 119,212	$ 124,848	$146,769	$115,905
Property and equipment, net	**1,344,316**	1,075,228	781,304	327,915	232,382
Total assets	**2,651,276**	1,636,927	1,254,173	650,357	474,522
Long-term debt	**899,012**	514,036	180,201	137,650	112,028
Minority interest	**—**	—	31,128	31,662	24,906
Shareholders' equity	**1,477,194**	906,630	862,867	387,701	258,295
Other Data					
Operating margin	**17.5%**	17.3%	15.8%	14.8%	16.4%
Pre-tax margin	**18.2**	16.7	15.1	15.8	15.6
After tax margin	**14.9**	12.5	10.3	9.2	8.0
Return on average common shareholders' equity	**20.3**	20.5	22.4	23.5	21.9
Return on assets	**9.8**	10.2	9.7	8.5	8.3
Long-term debt/capital	**36.9**	35.1	16.3	23.6	26.6
Long-term debt/equity	**60.9**	56.7	20.9	35.5	43.4

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	**1989**	1988	1987	1986	1985
High	**Cdn. $1.2390**	Cdn. $1.3145	Cdn. $1.3889	Cdn. $1.4380	Cdn. $1.4025
Low	**1.1713**	1.2118	1.3193	1.3591	1.2995
Average	**1.1958**	1.2643	1.3506	1.3893	1.3481
End of year	**1.1763**	1.2400	1.3196	1.3866	1.3659

On October 11, 1989, 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. $1.1758.

Stock Market Information and Dividends

The Company's Class A Shares and Class B Non-Voting Shares are listed in Canada on The Toronto Stock Exchange and The Montreal Exchange and trade in the United States on the NASDAQ National Market System under the symbols LDMFA and LDMFB, respectively.

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

	Class A Shares		Class B Non-Voting Shares	
1988 Fiscal Year	High	Low	High	Low
First quarter	$22.88	$14.25	$22.25	$13.38
Second quarter . . .	19.50	14.63	18.63	14.25
Third quarter.	24.38	14.50	21.25	14.00
Fourth quarter . . .	18.00	15.88	17.13	14.75
1989 Fiscal Year	High	Low	High	Low
First quarter	$19.13	$16.25	$18.25	$15.25
Second quarter . . .	20.63	18.13	19.88	16.75
Third quarter.	19.75	16.13	18.13	15.00
Fourth quarter . . .	20.38	17.25	20.25	16.63

The following table sets forth the reported high and low sales prices for the Class A Shares and the Class B Non-Voting Shares by NASDAQ in U.S. dollars for the periods indicated.

	Class A Shares		Class B Non-Voting Shares	
1988 Fiscal Year	High	Low	High	Low
First quarter	$17.13	$11.25	$16.88	$10.50
Second quarter . . .	15.13	11.38	14.63	10.88
Third quarter.	19.75	12.50	17.38	11.25
Fourth quarter . . .	14.63	13.00	14.25	11.75
1989 Fiscal Year	High	Low	High	Low
First quarter	$16.00	$13.13	$15.25	$12.25
Second quarter . . .	17.38	15.25	16.75	14.00
Third quarter.	14.50	13.75	13.88	12.63
Fourth quarter . . .	17.38	14.25	17.13	13.75

As of October 2, 1989, there were 2,524 and 7,434 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 $0.035 Canadian per Class A Share and Class B Non-Voting Share were paid on November 15, 1987; of $0.05 Canadian per Class A Share and Class B Non-Voting Share on each of February 15, 1988, May 15, 1988, August 15, 1988 and November 15, 1988; and of $0.06 Canadian per Class A Share and Class B Non-Voting Share on each of February 15, 1989, May 15, 1989 and August 15, 1989. Cash dividends of $0.06 Canadian per Class A Share and Class B Non-Voting Share have been declared payable on November 15, 1989.

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.

Corporate Information

DIRECTORS

Michael G. DeGroote
Chairman & Chief Executive Officer
Laidlaw Transportation Limited

Douglas R. Gowland
President & Chief Operating Officer
Laidlaw Transportation Limited

Michael A. Ashcroft
Chairman, President & Chief Executive Officer
ADT Limited

William P. Cooper
President & Chief Executive Officer
Cooper Corporation Limited

Ronald K. Gamey
Executive Vice-President
Canadian Pacific Limited

Donald M. Green, C.M.
Chairman & Chief Executive Officer
Tridon Ltd.

Donald K. Jackson
Executive Vice-President
Laidlaw Transportation Limited

George F. Michals
Executive Vice-President & Chief Financial Officer
Canadian Pacific Limited

Kenneth B. Needler
President, Passenger Services Group
Laidlaw Transportation Limited

Ralph J. Sazio
President
The Toronto Argonaut Football Club Inc.

William W. Stinson
President & Chief Executive Officer
Canadian Pacific Limited

Peter N.T. Widdrington
Chairman of the Board
John Labatt Limited

HONORARY DIRECTORS

Geno F. Francolini
President & Chief Executive Officer
Xenon Capital Corporation

Jack M. Rosen
President
Rosen Industries Ltd.

Halliwell Soule, Q.C.
Vice-President, Corporate Affairs
Laidlaw Transportation Limited

OFFICERS

Michael G. DeGroote
Chairman & Chief Executive Officer

Douglas R. Gowland
President & Chief Operating Officer

Donald K. Jackson
Executive Vice-President

Leslie W. Haworth
Vice-President, Finance

Ivan R. Cairns
Vice-President & General Counsel & Secretary

Jeffery Cassell
Vice-President, Risk Management

Peter H. Hallsworth
Vice-President, Information Systems

Kenneth B. Needler
President, Passenger Services Group

Halliwell Soule, Q.C.
Vice-President, Corporate Affairs

Victor A. Webster
Senior Vice-President, Passenger Services Group (U.S.)

Victor A. Wells
Vice-President, Controller

MAJOR SUBSIDIARIES

Laidlaw Waste Systems Inc.
GSX Chemical Services, Inc.
Laidlaw Transit, Inc.
Grey Goose Corporation Limited

OTHER MAJOR INTERESTS

ADT Limited
Attwoods plc

EXECUTIVE OFFICES

3221 North Service Road
P.O. Box 5028
Burlington, Ontario
L7R 3Y8
(416) 336-1800

ANNUAL MEETING

Laidlaw Transportation's Annual Meeting will be held December 7, 1989 at 4:00 p.m. at the Metro Toronto Convention Centre, Room 206, 255 Front Street West, Toronto, Ontario, Canada.

FORM 10-K

A copy of the Company's Annual Report on Form 10-K for 1989 may be obtained without charge upon a written request to the Company.

Printed in Canada