

DARRINGTON QUARRIES LIMITED

Report and Financial Statements

31 December 1999

**Deloitte & Touche
10-12 East Parade
Leeds
LS1 2AJ**



DARRINGTON QUARRIES LIMITED

REPORT AND FINANCIAL STATEMENTS 1999

CONTENTS	Page
Officers and professional advisers	1
Directors' report	2
Statement of directors' responsibilities	3
Auditors' report	4
Profit and loss account	5
Statement of total recognised gains and losses	5
Note of historical cost profits and losses	6
Reconciliation of movements in shareholders' funds	6
Balance sheet	7
Notes to the accounts	8

DARRINGTON QUARRIES LIMITED

REPORT AND FINANCIAL STATEMENTS 1999

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

J M Huntington (Chairman)
P A Rackham
W A Trendell

SECRETARY

A Waterhouse

REGISTERED OFFICE

3 Sidings Court
White Rose Way
Doncaster
DN4 5NU

BANKERS

Lloyds TSB Bank plc
11-15 Monument Street
London
EC3V 9JA

SOLICITORS

Eversheds
Cloth Hall Court
Infirmary Street
Leeds
LS1 2JB

AUDITORS

Deloitte & Touche
Chartered Accountants
10-12 East Parade
Leeds
LS1 2AJ

DARRINGTON QUARRIES LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 1999.

ACTIVITIES

The company's principal activities are stone quarrying, landfill management and electricity generation. The directors regard these activities as a single class of business.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

Both the level of business and the year end financial position were satisfactory and the directors expect that the present level of activity will be sustained for the foreseeable future.

DIVIDENDS AND TRANSFERS TO RESERVES

The profit for the financial year amounted to £1,960,000 (1998: £2,813,000). The directors recommend the payment of a final dividend of £2,300,000 (1998: £4,708,000). During the year an interim dividend of £3,000,000 (1998: £Nil) was paid. The retained loss for the year of £3,340,000 (1998: £1,895,000) has been transferred from reserves.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year were as follows:

J M Huntington
P A Rackham
W A Trendell

No director had any interest in the shares of the company. All of the directors are also directors of the company's ultimate parent company, Waste Recycling Group plc, and their interests in the shares of group undertakings are disclosed in the directors' report of that company.

INSURANCE OF DIRECTORS

The company maintains insurance for the directors in respect of their duties as directors of the company.

CREDITORS PAYMENT POLICY

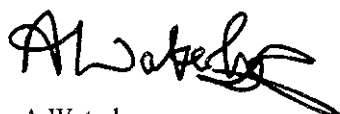
Whilst there is no formal creditor payment policy, it is the policy of the company to settle the terms of payment with all suppliers when agreeing the terms for the transactions as a whole and to abide by such terms.

The company's outstanding creditor days at the end of the year were 14 days.

AUDITORS

Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



A Waterhouse

Secretary

30 October 2000

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



AUDITORS' REPORT TO THE MEMBERS OF

DARRINGTON QUARRIES LIMITED

We have audited the financial statements on pages 5 to 16, which have been prepared under the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements, which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Chartered Accountants
and Registered Auditors

31 October 2000

DARRINGTON QUARRIES LIMITED

PROFIT AND LOSS ACCOUNT Year ended 31 December 1999

	Note	1999 £'000	1998 As restated (see note 1) £'000
TURNOVER: continuing operations	2	13,374	16,616
Cost of sales		(7,790)	(7,849)
Gross profit		5,584	8,767
Distribution costs		(1,386)	(1,772)
Administrative expenses		(1,435)	(3,368)
Other operating income	4	88	60
OPERATING PROFIT: continuing operations		2,851	3,687
Net interest (payable) / receivable		(18)	191
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	6	2,833	3,878
Tax on profit on ordinary activities	7	(873)	(1,065)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		1,960	2,813
Dividends	8	(5,300)	(4,708)
RETAINED LOSS FOR THE FINANCIAL YEAR TRANSFERRED FROM RESERVES	16	(3,340)	(1,895)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no recognised gains and losses for the current financial year and preceding financial year other than as stated in the profit and loss account. Therefore, no separate statement of total recognised gains and losses has been presented.

DARRINGTON QUARRIES LIMITED

NOTE OF HISTORICAL COST PROFITS AND LOSSES

Year ended 31 December 1999

	1999	1998
	£'000	£'000
Profit before taxation	2,833	3,878
Difference between historical cost depreciation charge and the actual depreciation charge calculated on the revalued amounts	53	88
	<u>2,886</u>	<u>3,966</u>

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

There are no movements in shareholders' funds for the financial year and preceding financial year other than the recognised gains and losses. Accordingly, no reconciliation of movements in shareholders' funds is given.

DARRINGTON QUARRIES LIMITED

BALANCE SHEET 31 December 1999

	Note	1999 £'000	1998 £'000
FIXED ASSETS			
Tangible assets	9	14,044	13,991
Investments	10	1	1
		<u>14,045</u>	<u>13,992</u>
CURRENT ASSETS			
Stocks	11	54	51
Debtors	12	4,125	4,517
Cash at bank and in hand		2,581	2,712
		<u>6,760</u>	<u>7,280</u>
CREDITORS: amounts falling due within one year	13	<u>(5,687)</u>	<u>(2,809)</u>
NET CURRENT ASSETS		<u>1,073</u>	<u>4,471</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		15,118	18,463
PROVISION FOR LIABILITIES AND CHARGES	14	<u>(1,272)</u>	<u>(1,277)</u>
		<u>13,846</u>	<u>17,186</u>
CAPITAL AND RESERVES			
Called up share capital	15	10	10
Share premium account	16	26	26
Revaluation reserve	16	9,131	9,184
Profit and loss account	16	4,679	7,966
TOTAL EQUITY SHAREHOLDERS' FUNDS		<u>13,846</u>	<u>17,186</u>

These financial statements were approved by the Board of Directors on 30 October 2000.

Signed on behalf of the Board of Directors



W A Trendell

Director

DARRINGTON QUARRIES LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 1999

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention, as modified by the revaluation of certain freehold and leasehold land.

Tangible fixed assets

The cost of fixed assets is their purchase costs together with any incidental costs of acquisition. The cost of land and buildings includes legal expenses on the purchase of land.

Depreciation is calculated so as to write-off the cost, or valuation, of tangible fixed assets less their residual values, over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Electricity generation plant	6.67%
Plant and machinery	25%
Mobile heavy plant	25%
Motor vehicles	25%
Buildings, furniture and office equipment	25%
Stone agreement and bridge	10%
Buildings	15%
Legal costs on purchase of land	100%

Other than in respect of electricity generation plant and stone agreement and bridge, the above rates are applied on a reducing balance basis.

The valuation of freehold and leasehold landfill reserves is depreciated in proportion to the airspace consumed in each accounting period.

Stone reserves are amortised on a depletion basis in proportion to quantities extracted.

Other than as described above, land is not depreciated.

Landfill site engineering costs

Total site engineering costs, being site preparation and estimated final restoration and subsequent after care costs, are charged to the profit and loss account on the basis of airspace used over the life of the landfill site.

Deferred taxation

Deferred taxation is provided on timing differences, arising from the different treatment of items for accounts and taxation purposes, which are expected to reverse in the future, calculated at rates at which it is estimated that tax will arise.

Stock

Stocks consist of spare parts and fuel for the company motor vehicles and plant and machinery. These are stated at the lower of cost and net realisable value.

Pension costs

Retirement benefits to employees of the company are provided by a defined contribution scheme, which is funded by contributions from the company and employees. Payments are made to insurance companies, in accordance with periodic calculations by professionally qualified actuaries. The payments are charged against profits of the year in which they become payable.

Cash flow statement

The company is a wholly owned subsidiary of Waste Recycling Group plc and its cash flows are included in the consolidated cash flow statement of that company. Consequently, the company is exempt under the terms of Financial Reporting Standard No 1 from preparing a cash flow statement.

NOTES TO THE ACCOUNTS

Year ended 31 December 1999

1. ACCOUNTING POLICIES (continued)

Leases

Operating lease costs are charged to revenue when incurred.

Restoration and post closure monitoring costs

FRS 12 "Provisions, Contingent liabilities and Contingent Assets" published in September 1998, is mandatory for the company's financial statements for the year ended 31 December 1999. Comparative amounts have been restated accordingly. Full provision has been made for the net present value (NPV) of the company's minimum unavoidable costs, in respect of restoration liabilities at the company's landfill sites, which has been capitalised in tangible fixed assets. The company continues to provide for all after-care costs over the life of its landfill sites, based on the volumes of waste deposited in the year, since liabilities in relation to these costs increase as waste is deposited.

All long-term provisions for restoration and after-care costs are calculated based on the NPV of estimated future costs. Current cost estimates are inflated at 3 per cent, and discounted at 5 per cent, to calculate the NVP. The effects of inflation and the unwinding of discount element on existing provisions are reflected as a financial item.

The implementation of FRS 12 resulted in no adjustments to tangible fixed assets and provisions at 1 January 1998 and at 1 January 1999 as the amounts were not materially different. There is no impact on retained earnings at 1 January 1998 or on the reported profits for the current or preceding financial years, as the results are not materially different. To give a consistent presentation the element of the provision movement relating to inflation and discount amounting to £39,000 in the year ended 31 December 1998 has been reclassified in the profit and loss account from cost of sales to a financial item.

2. TURNOVER

Turnover represents amounts receivable in respect of the quarrying, processing and sale of stone, and receipts from landfill and electricity generation including Landfill Tax and excluding Value Added Tax.

Turnover arises in the United Kingdom and relates to the company's principal activities.

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	1999 £'000	1998 £'000
Directors emoluments:		
Emoluments	-	306
Pension contributions	-	5
	<hr/>	<hr/>
	-	311
	<hr/>	<hr/>
Contributions paid in respect of two directors to a defined contribution pension scheme	-	5
	<hr/>	<hr/>
Remuneration of the highest paid director	-	61
	<hr/>	<hr/>
Contributions paid in respect of the highest paid director to a defined contribution pension scheme	-	3
	<hr/>	<hr/>

During the year the remuneration of the directors of the company was transferred to Waste Recycling Group plc, the ultimate parent undertaking.

DARRINGTON QUARRIES LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 1999

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

	No.	No.
Average number of persons employed		
Directors	3	3
Selling and distribution	3	3
Administration	9	7
Production	53	71
	<u>68</u>	<u>84</u>

	£'000	£'000
Staff costs during the year (including directors)		
Wages and salaries	1,478	1,638
Social security costs	147	158
Other pension costs	12	13
	<u>1,637</u>	<u>1,809</u>

4. OTHER OPERATING INCOME

	1999 £'000	1998 £'000
Rent receivable (net)	72	53
Sundry income	16	7
	<u>88</u>	<u>60</u>

5. NET INTEREST (PAYABLE) / RECEIVABLE

	1999 £'000	1998 £'000
Unwinding of discount	(39)	(39)
Bank interest payable	(4)	-
	<u>(43)</u>	<u>(39)</u>
Bank interest receivable	25	230
Net interest (payable) / receivable	<u>(18)</u>	<u>191</u>

DARRINGTON QUARRIES LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 1999

6. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	1999 £'000	1998 £'000
Profit on ordinary activities before taxation is stated after charging		
Depreciation charge for the year		
Tangible owned fixed assets	1,198	1,732
Hire of plant and machinery	85	127
Profit on disposal of tangible fixed asset	16	28
Auditors' remuneration - Audit	17	17
- Other	3	3
	<u> </u>	<u> </u>

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1999 £'000	1998 £'000
United Kingdom corporation tax at 30% (1998: 31%)		
Based on the profit for the year	1,280	1,017
Deferred taxation	(134)	48
Adjustment in respect of prior years:		
Corporation tax	(452)	-
Deferred tax	(126)	-
Other	305	-
	<u> </u>	<u> </u>
	873	1,065
	<u> </u>	<u> </u>

8. DIVIDENDS

	1999 £'000	1998 £'000
Final proposed dividend of £220.50 per ordinary share (1998: £451.35)	2,300	4,708
Interim paid of £287.60 per ordinary share (1998: £Nil)	3,000	-
	<u> </u>	<u> </u>
	5,300	4,708
	<u> </u>	<u> </u>

DARRINGTON QUARRIES LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 1999

9. TANGIBLE FIXED ASSETS

	Freehold and leasehold land and buildings £'000	Plant and machinery £'000	Motor vehicles £'000	Buildings, furniture and office equipment £'000	Assets in course of construction £'000	Total £'000
Cost or valuation						
At 1 January 1999	13,099	8,741	224	176	263	22,503
Additions	915	364	56	18	-	1,353
Reclassification of assets	-	263	-	-	(263)	-
Disposals	-	(196)	(138)	(13)	-	(347)
At 31 December 1999	14,014	9,172	142	181	-	23,509
Accumulated depreciation						
At 1 January 1999	1,785	6,470	134	123	-	8,512
Charge for the year	605	554	25	14	-	1,198
Disposals	-	(173)	(64)	(8)	-	(245)
At 31 December 1999	2,390	6,851	95	129	-	9,465
Net book value						
At 31 December 1999	11,624	2,321	47	52	-	14,044
At 31 December 1998	11,314	2,271	90	53	263	13,991

Cost or valuation at 31 December 1999 is represented by:

Valuation	9,301	-	-	-	-	9,301
Cost	4,713	9,172	142	181	-	14,208
	14,014	9,172	142	181	-	23,509

The company's freehold and leasehold landfill and quarrying sites were valued by Grimley, international property advisers, on 29 May 1996. The valuation was conducted on an open market value basis in accordance with the RICS Appraisal and Valuation Manual.

If freehold and leasehold land and buildings had not been revalued they would have been included at the following amounts:

	1999 £'000	1998 £'000
Cost	2,338	2,239
Aggregate depreciation based on cost	(712)	(666)
	1,626	1,573
The net book value of land and buildings comprises:		
Freehold	11,589	11,273
Short leasehold	35	41
	11,624	11,314

DARRINGTON QUARRIES LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 1999

The cost of freehold land and buildings includes land of £1,340,000, which is not depreciated.

DARRINGTON QUARRIES LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 1999

10. FIXED ASSET INVESTMENT

This relates to the cost of shares in the wholly owned subsidiary undertaking, Darrington Waste Management Limited. The Company is registered in England and Wales and has remained dormant throughout the year ended 31 December 1999.

In the opinion of the directors, the underlying value of the net assets of the subsidiary are not less than its investment carrying value.

Being a wholly owned subsidiary of Finstop Limited, the company is exempt from preparing consolidated financial statements.

11. STOCKS

	1999 £'000	1998 £'000
Raw materials and consumables	54	51

12. DEBTORS

	1999 £'000	1998 £'000
Trade debtors	1,928	2,452
Amounts owed by parent and fellow subsidiary undertakings	1,832	1,705
Other debtors	14	16
Prepayments and accrued income	351	344
	<u>4,125</u>	<u>4,517</u>

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1999 £'000	1998 £'000
Trade creditors	219	231
Amounts owed to subsidiary undertakings	5	1
Amounts owed to parent and fellow subsidiary undertakings	2,416	-
Current corporation tax	829	1,299
Group relief payable	314	-
Other taxation and social security	1,449	1,043
Accruals and deferred income	455	235
	<u>5,687</u>	<u>2,809</u>

DARRINGTON QUARRIES LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 1999

14. PROVISIONS FOR LIABILITIES AND CHARGES

Deferred taxation	Provided		Not provided	
	1999 £'000	1998 £'000	1999 £'000	1998 £'000
Capital allowances	105	365	-	-

The directors do not intend to dispose of the company's revalued quarrying and landfill sites and hence no provision has been made for deferred tax.

	1999 £'000	1998 £'000
Restoration and after care costs	1,167	912

The movements on provisions are as follows:

	Deferred tax £'000	Restoration and after care costs £'000	Total £'000
At 31 December 1998	365	912	1,277
Transfer of opening balance to current taxation	(260)	-	(260)
Charge for the year	-	361	361
Expended in the year	-	(145)	(145)
Unwinding of discount	-	39	39
At 31 December 1999	105	1,167	1,272

15. CALLED UP SHARE CAPITAL

	1999 £'000	1998 £'000
Authorised		
25,000 Ordinary shares of £1 each - equity	25	25
Called up, allotted and fully paid		
10,431 Ordinary shares of £1 each - equity	10	10

DARRINGTON QUARRIES LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 1999

16. RESERVES

	Share premium account £'000	Revaluation Reserve £'000	Profit and loss account £'000
At 1 January 1999	26	9,184	7,966
Transfer from revaluation reserve to profit and loss account	-	(53)	53
Retained loss for the financial year	-	-	(3,340)
	<hr/>	<hr/>	<hr/>
At 31 December 1999	26	9,131	4,679
	<hr/>	<hr/>	<hr/>

The transfer from the revaluation reserve to the profit and loss account relates to the excess depreciation charge based on the revalued amount over the historic cost.

17. CONTINGENT LIABILITIES

The company has given unlimited guarantees in favour of the group's bankers and loan providers in respect of all monies due from the company's ultimate parent undertaking and its subsidiaries. At 31 December 1999 borrowings under these guarantees totalled £18,018,000 (1998: £5,939,000). The directors do not expect a loss to arise as a result of these guarantees.

18. PENSIONS

The company operates a defined contribution scheme in respect of certain of its employees. The pension cost of operating this scheme for the year was £12,000 (1998: £13,000). Contributions payable at the year-end amounted to £Nil (1998: £Nil).

19. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption contained in FRS 8 not to publish details of related party transactions with other group companies as it is a wholly owned subsidiary of Waste Recycling Group plc.

20. ULTIMATE PARENT COMPANY

The directors regard Waste Recycling Group plc, a company incorporated in Great Britain, as the ultimate parent undertaking. Copies of the ultimate parent's consolidated financial statements may be obtained from Waste Recycling Group plc, 3 Sidings Court, White Rose Way, Doncaster, DN4 5NU.