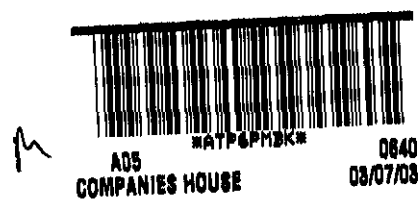


Company Registration No. 0930757

ARNOLD WASTE DISPOSAL LIMITED

Report and Financial Statements

31 December 2002



ARNOLD WASTE DISPOSAL LIMITED

REPORT AND FINANCIAL STATEMENTS 2002

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ARNOLD WASTE DISPOSAL LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

H C Etheridge
N D A Sandy

SECRETARY

A Waterhouse

REGISTERED OFFICE

3 Sidings Court
White Rose Way
Doncaster
DN4 5NU

AUDITORS

Deloitte & Touche
1 City Square
Leeds
LS1 2AL

ARNOLD WASTE DISPOSAL LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2002.

ACTIVITIES

The principal activities of the company continue to be the disposal of domestic and commercial waste and the management of civic amenity sites.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

Both the level of business and the year-end financial position were considered satisfactory.

During the year the company entered into a management agreement with Waste Recycling Limited, a fellow subsidiary of Waste Recycling Group Plc. Under the agreement, Waste Recycling Limited provides certain administrative services relating principally to the collection of receivables and the payment of suppliers.

DIVIDENDS AND TRANSFERS TO RESERVES

The profit after taxation for the year amounted to £1,060,000 (2001: loss £290,000). The directors do not recommend the payment of a dividend (2001: £nil) and thus £1,060,000 (2001: deficit £290,000) has been transferred to (2001: withdrawn from) reserves.

DIRECTORS AND THEIR INTERESTS

The Directors who served during the year and since the year-end were:

H C Etheridge
N D A Sandy

None of the directors held any interests in the share capital of the company at any time in either the current or previous financial year.

At 31 December 2002 Mr N D A Sandy and Mr H C Etheridge were also directors of the company's ultimate parent company, Waste Recycling Group plc. Their interests in the share capital of Waste Recycling Group plc together with the details of their share options in that company are disclosed in that company's financial statements.

POLITICAL AND CHARITABLE DONATIONS

No political or charitable donations were made during the year (2001: £nil).

During the year the company has contributed £501,000 (2001: £nil) of its landfill tax liability to approved environmental bodies, as permitted by government regulations.

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

27 June

2003

ARNOLD WASTE DISPOSAL LIMITED


STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom 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.

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



H C Etheridge
Director

27 June

2003

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ARNOLD WASTE DISPOSAL LIMITED

We have audited the financial statements of Arnold Waste Disposal Limited for the year ended 31 December 2002 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses, the note of historical cost profits and losses, the reconciliation of movements in shareholders' funds, and the related notes 1 to 18. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of audit 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 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Deloitte & Touche

Chartered Accountants and Registered Auditors

Leeds

30 June

2003

ARNOLD WASTE DISPOSAL LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 31 December 2002

	Note	2002 £'000	2001 £'000
TURNOVER	2	4,708	4,664
Cost of sales		(3,325)	(3,706)
GROSS PROFIT		1,383	958
Administrative expenses		(198)	(1,001)
OPERATING PROFIT/(LOSS)	3	1,185	(43)
Interest payable and similar charges	5	(62)	(54)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		1,123	(97)
Tax on profit/(loss) on ordinary activities	6	(63)	(193)
RETAINED PROFIT/(DEFICIT) FOR THE FINANCIAL YEAR	13	1,060	(290)

All results are derived from continuing operations.

The company has no recognised gains and losses in the current or preceding financial year other than the profit and loss above and therefore no separate statement of total recognised gains and losses has been presented.

There are no movements in shareholders' funds in either the current or previous financial year other than the retained loss shown above. Accordingly, no reconciliation of movements in shareholders' funds is presented.

ARNOLD WASTE DISPOSAL LIMITED

NOTE OF HISTORICAL COST PROFITS AND LOSSES Year ended 31 December 2002

	2002 £'000	2001 £'000
Profit/(loss) on ordinary activities before taxation	1,123	(97)
Difference between historical cost depreciation charge and the actual depreciation charge calculated on the revalued amounts	<u>77</u>	<u>77</u>
Historical cost profit/(loss) on ordinary activities before taxation	<u>1,200</u>	<u>(20)</u>
Historical cost profit/(loss) for the year retained after taxation and dividends	<u>1,137</u>	<u>(213)</u>

ARNOLD WASTE DISPOSAL LIMITED

BALANCE SHEET

31 December 2002

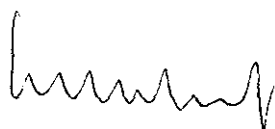
	Note	2002 £'000	2001 £'000
FIXED ASSETS			
Tangible assets	7	164	321
CURRENT ASSETS			
Debtors: amounts due in less than one year	8	3,548	1,194
Debtors: amounts due in more than one year	9	598	-
Cash at bank and in hand		-	3,400
CREDITORS: amounts falling due within one year	10	4,146 (195)	4,594 (1,865)
NET CURRENT LIABILITIES		3,951	2,729
TOTAL ASSETS LESS CURRENT LIABILITIES		4,115	3,050
PROVISIONS FOR LIABILITIES AND CHARGES	11	(1,324)	(1,319)
NET ASSETS		2,791	1,731
CAPITAL AND RESERVES			
Called up share capital	12	237	237
Share premium account	13	28	28
Revaluation reserve	13	-	77
Profit and loss account	13	2,526	1,389
EQUITY SHAREHOLDERS' FUNDS		2,791	1,731

These financial statements were approved by the Board of Directors on

27 June

2003.

Signed on behalf of the Board of Directors



H C Etheridge
Director

ARNOLD WASTE DISPOSAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2002

1. ACCOUNTING POLICIES

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

These policies have all been applied consistently throughout the year and the preceding year with the exception of the policy for deferred tax, which has been amended to reflect adoption of Financial Reporting Standard (FRS) Number 19 "Deferred Taxation" which became applicable during the year. No adjustments arose as a result of the adoption of FRS 19 and there was no significant impact on the current or prior year reported results.

Accounting convention

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

Cash flow exemption

The company has taken advantage of the exemption, conferred by Financial Reporting Standard 1 (Revised), from presenting a cash flow statement as it is a wholly owned subsidiary of Waste Recycling Group Plc, "the group", which prepares a consolidated cash flow statement.

Turnover

Turnover represents sales of goods and services including landfill tax but excluding value added tax.

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation. Depreciation is provided on tangible fixed assets in use at rates calculated to write off the cost or valuation less residual value of each asset as follows:

Freehold buildings	- over 25 to 50 years
Freehold landfill sites and license agreements	- over the expected life of each site
Plant and equipment	- over 3 to 20 years
Motor vehicles	- over 4 years

No depreciation is provided for on freehold land.

Expenditure on freehold landfill sites and leasehold properties includes engineering costs. Elements of these costs are classified according to their expected economic life and depreciated accordingly in proportion to the rate that waste is deposited. All other assets are depreciated on a straight-line basis.

On adoption of FRS 15, the transitional provisions were applied and therefore previous valuations will be maintained.

Leases

Operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

Pensions

Certain employees of the company are members of the LAWDC's Pension Scheme in which Waste Recycling Group plc is a participating employer. This is a defined benefit multi-employer scheme, the assets of which are held independently of the group. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives within the group.

ARNOLD WASTE DISPOSAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2002

1. ACCOUNTING POLICIES (continued)

Restoration and after-care costs

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 NPV. The effect of the unwinding of discount element on existing provisions is reflected as a financial item.

Deferred taxation

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallize based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset. Deferred tax assets are recognized to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

2. TURNOVER

All turnover was generated in the United Kingdom principally from receiving, treating, recycling and disposing of waste materials which the directors consider to be a single business segment.

3. OPERATING PROFIT

	2002 £'000	2001 £'000
Operating profit is stated after charging:		
Depreciation – on owned tangible fixed assets	235	871
Hire of plant and machinery	92	95
Auditors' remuneration - audit fees	-	-
	<u> </u>	<u> </u>

Auditors' remuneration in respect of audit fees has been met by the company's parent company.

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

None of the directors received any remuneration or other benefits in respect of their services to the company. They are remunerated as directors or employees of the ultimate parent company.

	2002 £'000	2001 £'000
Wages and salaries	83	133
Social security costs	6	12
Other pension costs	7	10
	<u> </u>	<u> </u>
	96	155
	<u> </u>	<u> </u>
	2002 No.	2001 No.
The average monthly number of employees (including directors) during the year was:	<u> </u> 5	<u> </u> 8

ARNOLD WASTE DISPOSAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2002

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2002 £'000	2001 £'000
Unwinding of discount (note 11)	62	54

6. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	2002 £'000	2001 £'000
Corporation tax		
United Kingdom corporation tax at 30% (2001: 30%) based on profits for the year	63	193
Tax on profit on ordinary activities	63	193

The total current tax charge for the year is less than (2001: greater than) the standard rate of 30% for the reasons set out in the following reconciliation:

	2002 £'000	2001 £'000
Profit/(loss) on ordinary activities before tax	1,123	(97)
Tax on profit on ordinary activities at standard rate	337	(29)
Factors affecting charge:		
Expenses not deductible for tax purposes	60	149
Capital allowances in excess of depreciation	(8)	73
Utilisation of general provisions	(215)	-
Site preparation relief	(111)	-
	63	193

ARNOLD WASTE DISPOSAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2002

7. TANGIBLE FIXED ASSETS

	Freehold land and buildings £'000	Plant and machinery £'000	Total £'000
Cost or valuation			
At 1 January 2002	2,193	938	3,131
Additions	52	26	78
	<hr/>	<hr/>	<hr/>
At 31 December 2002	2,245	964	3,209
	<hr/>	<hr/>	<hr/>
Cost or valuation comprises:			
Cost	1,737	1,316	3,053
Valuation	508	(352)	156
	<hr/>	<hr/>	<hr/>
At 31 December 2002	2,245	964	3,209
	<hr/>	<hr/>	<hr/>
Depreciation			
At 1 January 2002	2,048	762	2,810
Charge for year	197	38	235
	<hr/>	<hr/>	<hr/>
At 31 December 2002	2,245	800	3,045
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 December 2002	-	164	164
	<hr/>	<hr/>	<hr/>
At 31 December 2001	145	176	321
	<hr/>	<hr/>	<hr/>

The net book value of fixed assets stated on a historical cost basis is as follows:

	2002 £'000	2001 £'000
Cost	3,053	2,975
Accumulated depreciation	(2,889)	(2,731)
	<hr/>	<hr/>
Net book value	164	244
	<hr/>	<hr/>

Freehold land and buildings were revalued in 1993 at open market value. On adoption of FRS 15 the transitional provisions were applied and thus the previous valuation will be maintained.

8. DEBTORS: amounts due in less than one year

	2002 £'000	2001 £'000
Trade debtors	-	1,144
Due from parent undertaking and fellow subsidiaries	3,548	-
Other debtors	-	32
Prepayments and accrued income	-	18
	<hr/>	<hr/>
	3,548	1,194
	<hr/>	<hr/>

9. DEBTORS: amounts due in more than one year

	2002 £'000	2001 £'000
Prepayments and accrued income	598	-
	<hr/>	<hr/>

ARNOLD WASTE DISPOSAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2002

10. CREDITORS: amounts falling due within one year

	2002 £'000	2000 £'000
Trade creditors	-	44
Amounts due to parent undertaking	132	-
Amounts due to fellow subsidiary undertakings	-	821
Corporation tax	63	132
Other taxation and social security	-	10
Other creditors	-	827
Accruals and deferred income	-	31
	<u>195</u>	<u>1,865</u>

11. PROVISIONS FOR LIABILITIES AND CHARGES

	Landfill restoration £'000	Landfill aftercare £'000	Total £'000
Landfill and other provisions			
At 1 January 2002	716	603	1,319
Expenditure in the year	(150)	-	(150)
Charged in profit and loss account	-	93	93
Unwinding of discount (note 5)	32	30	62
	<u>598</u>	<u>726</u>	<u>1,324</u>

The company provides for the estimated cost of restoring its landfill sites at the end of their operational life and for their subsequent after-care. The after-care period is generally expected to be 30 years. All provisions are discounted from the date on which the expenditure is expected to occur.

Deferred taxation

	Provided		Unprovided	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Capital allowances in excess of depreciation	-	-	(11)	(60)
Short term timing differences	-	-	(153)	(240)
	<u>-</u>	<u>-</u>	<u>(164)</u>	<u>(300)</u>

The company has unprovided deferred tax assets as there is insufficient certainty as to whether events will materialise to crystallise the deferred tax.

12. CALLED UP SHARE CAPITAL

	2002 £'000	2001 £'000
Authorised:		
2,291,646 ordinary shares of £0.10 each	229	229
2,083,540 ordinary shares of £0.01 each	21	21
	<u>250</u>	<u>250</u>
Called up, allotted and fully paid:		
2,291,646 ordinary shares of £0.10 each	229	229
764,644 ordinary shares of £0.01 each	8	8
	<u>237</u>	<u>237</u>

ARNOLD WASTE DISPOSAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2002

13. MOVEMENTS ON RESERVES

	Share premium account £'000	Revaluation Reserve £'000	Profit and Loss account £'000	Total £'000
At 1 January 2002	28	77	1,389	1,494
Profit retained for the financial year	-	-	1,060	1,060
Transfer from revaluation reserve to profit and loss account	-	(77)	77	-
At 31 December 2002	28	-	2,526	2,554

14. PENSION CONTRIBUTIONS

Certain employees of the company are members of the LAWDC's Pension Scheme in which Waste Recycling Group plc is a participating employer. This is a defined benefit multi-employer scheme, the assets of which are held independently of the group. The company is unable to identify its share of the underlying assets and liabilities of the scheme. Further details regarding the scheme are provided in the financial statements of Waste Recycling Group plc.

Contributions to the scheme for the period are stated below and the agreed contribution rate commencing from 1 June 2002 is 16%.

An actuarial valuation of the scheme at 31 March 2000 indicated that the scheme was 106% funded based upon the minimum funding requirement basis. At 31 December 2002 the deficit on the group section of the scheme, calculated on an FRS 17 basis, was £3,813,000 (2001 restated*: £1,044,000). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

The contributions made by the company under the scheme during the year amounted to £7,000 (2001: £10,000).

* The deficit on the group section of the scheme at 31 December 2001 has been restated following a correction of the allocation of assets to WRG's section by the LAWDC trustee. This resulted in the net deficit being £295,000 lower than reported in 2001.

15. CAPITAL COMMITMENTS

	2002 £'000	2001 £'000
Commitments on capital contracts placed at 31 December	-	9

16. CONTINGENT LIABILITIES

- The company has entered into unlimited cross-guarantees with its bankers relating to the borrowings of other group companies. At 31 December 2002 the bank borrowings of other group companies amounted to £28,221,000 (2001: £nil).
- The company is a member of a group VAT registration and as such has contingent liabilities for VAT in respect of other members of the group.

ARNOLD WASTE DISPOSAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2002

17. RELATED PARTY TRANSACTIONS

In the ordinary course of business, the company has also traded with its ultimate parent company Waste Recycling Group plc together with its subsidiaries. The company is exempt from disclosing details of these transactions because copies of Waste Recycling Group plc group financial statements are publicly available.

18. ULTIMATE PARENT COMPANY

The company's ultimate parent company and controlling party is Waste Recycling Group plc, a company which is registered in England and Wales and prepares group financial statements. Copies of the group financial statements may be obtained from Waste Recycling Group plc, 3 Sidings Court, White Rose Way, Doncaster, DN4 5NU.