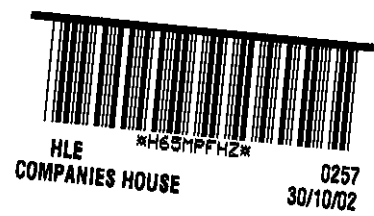


Company Registration No. 0930757

ARNOLD WASTE DISPOSAL LIMITED

Report and Financial Statements

31 December 2001



ARNOLD WASTE DISPOSAL LIMITED

REPORT AND FINANCIAL STATEMENTS 2001

CONTENTS

Page

Officers and professional advisers	1
Directors' report	2
Statement of directors' responsibilities	3
Independent auditors' report	4
Profit and loss account	5
Note of historical cost profits and losses	6
Balance sheet	7
Notes to the financial statements	8

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

BANKERS

Lloyds TSB Bank plc
Corporate & Institutional Banking
P O Box 787
6-8 Eastcheap
London
EC3M 1LL

AUDITORS

Deloitte & Touche
Leeds

ARNOLD WASTE DISPOSAL LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2001.

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. The directors expect that the current level of activity will be sustained for the foreseeable future and that the company will trade profitably in the forthcoming financial year.

On 17 January 2001 Waste Recycling Group plc acquired 100% of the issued ordinary share capital of the company from Hanson Quarry Products Europe Limited ("HQPE") together with the business and assets of Hanson Waste Management, a trading division of HQPE.

DIVIDENDS AND TRANSFERS TO RESERVES

The loss after taxation for the year amounted to £290,000 (2000: profit £1,461,000). The directors do not recommend the payment of a dividend (2000: £nil) and thus £290,000 (2000: £1,461,000) has been withdrawn from (2000: transferred to) reserves.

DIRECTORS AND THEIR INTERESTS

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

H C Etheridge	(appointed 24 September 2001)
S N Hardman	(appointed 26 January 2001, resigned 31 January 2001)
J M Huntington	(appointed 31 January 2001, resigned 4 April 2001)
J P Morrish	(appointed 26 January 2001, resigned 31 January 2001)
N D A Sandy	(resigned 31 January 2001, reappointed 14 May 2001)
W A Trendell	(appointed 31 January 2001, resigned 24 September 2001)
S N Vivian	(resigned 31 January 2001)

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 2001 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

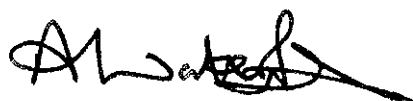
No political or charitable donations were made during the year (2000: £nil).

During the year the company has contributed £nil (2000: £nil) of its landfill tax liability to approved environmental bodies, as permitted by government regulations.

AUDITORS

Ernst & Young resigned as auditors on 31 January 2001 and Deloitte & Touche were appointed in their place. Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution to ratify their appointment 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

23 October 2002

ARNOLD WASTE DISPOSAL LIMITED

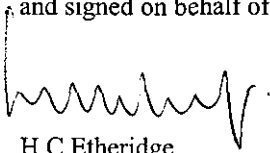
STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

23 October 2002

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 2001 which comprise the profit and loss account, the balance sheet, the note of historical cost profits and losses and the related notes 1 to 18. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of 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.

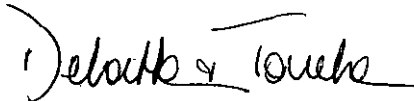
Basis of opinion

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 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Deloitte & Touche

Chartered Accountants
and Registered Auditors
Leeds

28 OCTOBER 2002

ARNOLD WASTE DISPOSAL LIMITED

PROFIT AND LOSS ACCOUNT Year ended 31 December 2001

	Note	2001 £'000	2000 £'000
TURNOVER	2	4,664	4,176
Cost of sales		<u>(3,706)</u>	<u>(2,499)</u>
GROSS PROFIT		958	1,677
Administrative expenses		<u>(1,001)</u>	<u>(202)</u>
OPERATING (LOSS)/PROFIT	3	(43)	1,475
Interest payable and similar charges	5	<u>(54)</u>	<u>(14)</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(97)	1,461
Tax on (loss)/profit on ordinary activities	6	<u>(193)</u>	<u>-</u>
RETAINED (LOSS)/PROFIT FOR THE FINANCIAL YEAR	13	<u>(290)</u>	<u>1,461</u>

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 2001

	2001 £'000	2000 £'000
(Loss)/profit on ordinary activities before taxation	(97)	1,461
Difference between historical cost depreciation charge and the actual depreciation charge calculated on the revalued amounts	<u>77</u>	<u>77</u>
Historical cost (loss)/ profit on ordinary activities before taxation	<u>(20)</u>	<u>1,538</u>
Historical cost (loss)/profit for the year retained after taxation and dividends	<u>(213)</u>	<u>1,538</u>

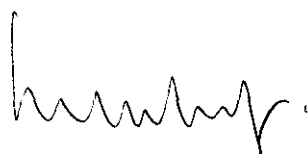
ARNOLD WASTE DISPOSAL LIMITED

BALANCE SHEET

Year ended 31 December 2001

	Note	2001 £'000	2000 (Restated) £'000
FIXED ASSETS			
Tangible assets	7	321	463
CURRENT ASSETS			
Stock	8	-	5
Debtors	9	1,194	3,542
Cash at bank and in hand		3,400	-
		4,594	3,547
CREDITORS: amounts falling due within one year	10	(1,865)	(737)
NET CURRENT LIABILITIES		2,729	2,810
TOTAL ASSETS LESS CURRENT LIABILITIES		3,050	3,273
PROVISIONS FOR LIABILITIES AND CHARGES	11	(1,319)	(1,252)
NET ASSETS		1,731	2,021
CAPITAL AND RESERVES			
Called up share capital	12	237	237
Share premium account	13	28	28
Revaluation reserve	13	77	154
Profit and loss account	13	1,389	1,602
EQUITY SHAREHOLDERS' FUNDS		1,731	2,021

These financial statements were approved by the Board of Directors on **23 October** 2002.
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 2001

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 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 a 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 site engineering costs which are depreciated over the life of each site in proportion to the rate of landfill. 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.

Stock

Stock is stated at the lower of cost and net realisable value.

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.

Restoration and post closure monitoring 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.

ARNOLD WASTE DISPOSAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2001

1. ACCOUNTING POLICIES (continued)

Deferred taxation

Deferred taxation is provided at the anticipated tax rates on timing differences arising 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 to the extent that it is probable that a liability or asset will crystallise in the future.

Change in accounting policy

The company has changed its accounting policy in respect of certain landfill site development costs following its acquisition by Waste Recycling Group plc. The policy has been changed to align the company with its new parent and fellow subsidiary undertakings.

Ongoing landfill site engineering costs are now reflected within freehold land and buildings under tangible fixed assets rather than within prepayments. The directors consider this reclassification better reflects the nature of the costs involved. The impact of this change is that the brought forward cost of freehold land and buildings has been restated to include £71,000 of costs previously included in prepayments whilst the costs of additional works undertaken during the year are reflected within additions.

There is no effect on the current or previous years' reported profit of the change in accounting policy.

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

	2001 £'000	2000 £'000
Operating profit is stated after charging:		
Depreciation -- on owned tangible fixed assets	871	228
Hire of plant and machinery	95	52
Auditors' remuneration - audit fees	-	9
	<u> </u>	<u> </u>

Auditors' remuneration in respect of audit fees has been met by the company's ultimate parent company and fellow subsidiary undertakings.

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.

	2001 £'000	2000 £'000
Wages and salaries	133	142
Social security costs	12	10
Other pension costs	10	-
	<u> </u>	<u> </u>
	155	152
	<u> </u>	<u> </u>
	2001 No.	2000 No.
The average monthly number of employees (including directors) during the year was:	8	8
	<u> </u>	<u> </u>

ARNOLD WASTE DISPOSAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2001

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2001 £'000	2000 £'000
Unwinding of discount (note 11)	54	14

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

	2001 £'000	2000 £'000
Corporation tax – current year	193	-

The tax charge for the year is higher than the standard rate of 30% due to the incidence of non-qualifying depreciation. There was no taxation charge in the year ended 31 December 2000 due to the availability of group relief claimed without payment from a former fellow group company.

7. TANGIBLE FIXED ASSETS

	Freehold land and buildings £'000	Plant and machinery £'000	Total £'000
Cost or valuation			
At 1 January 2001	1,010	1,321	2,331
Restatement (note 1)	71	-	71
At 1 January 2001 (Restated)	1,081	1,321	2,402
Additions	679	50	729
Reclassifications	433	(433)	-
At 31 December 2001	2,193	938	3,131
Cost or valuation comprises:			
Cost	1,685	1,290	2,975
Valuation	508	(352)	156
At 31 December 2001	2,193	938	3,131
Depreciation			
At 1 January 2001	977	962	1,939
Charge for year	795	76	871
Reclassifications	276	(276)	-
At 31 December 2001	2,048	762	2,810
Net book value			
At 31 December 2001	145	176	321
At 31 December 2000 (Restated)	104	359	463

ARNOLD WASTE DISPOSAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2001

7. TANGIBLE FIXED ASSETS (continued)

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

	2001 £'000	2000 £'000
Cost	2,975	2,246
Accumulated depreciation	(2,731)	(1,937)
Net book value	<u>244</u>	<u>309</u>

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. STOCK

	2001 £'000	2000 £'000
Raw materials and consumables	<u>-</u>	<u>5</u>

9. DEBTORS

	2001 £'000	2000 (Restated) £'000
Trade debtors	1,144	622
Due from parent undertaking and fellow subsidiaries	-	2,907
Other debtors	32	-
Prepayments and accrued income	18	13
	<u>1,194</u>	<u>3,542</u>

The comparative amount for prepayments and accrued income has been restated by £71,000 (note 1).

10. CREDITORS: amounts falling due within one year

	2001 £'000	2000 £'000
Trade creditors	44	70
Amounts due to fellow subsidiary undertakings	821	-
Corporation tax	132	-
Other taxation and social security	10	245
Other creditors	827	-
Accruals and deferred income	31	422
	<u>1,865</u>	<u>737</u>

ARNOLD WASTE DISPOSAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2001

11. PROVISIONS FOR LIABILITIES AND CHARGES

	Landfill restoration £'000	Landfill aftercare £'000	Total £'000
Landfill and other provisions			
At 1 January 2001	869	714	1,583
Expenditure in the year	(184)	(285)	(469)
Charged in profit and loss account	-	151	151
Unwinding of discount	31	23	54
	<u>716</u>	<u>603</u>	<u>1,319</u>

Deferred taxation	Provided		Unprovided	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Capital allowances in excess of depreciation	-	-	(60)	13
Short term timing differences	-	-	(240)	-
	<u>-</u>	<u>-</u>	<u>(300)</u>	<u>13</u>

12. CALLED UP SHARE CAPITAL

	2001 £'000	2000 £'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>

13. MOVEMENTS ON RESERVES

	Share premium account £'000	Revaluation Reserve £'000	Profit and Loss account £'000	Total £'000
At 1 January 2001	28	154	1,602	1,784
Deficit retained for the financial year	-	-	(290)	(290)
Transfer from revaluation reserve to profit and loss account	-	(77)	77	-
At 31 December 2001	<u>28</u>	<u>77</u>	<u>1,389</u>	<u>1,494</u>

ARNOLD WASTE DISPOSAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2001

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 2001 indicated that the scheme was 106% funded based upon the minimum funding requirement basis. 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 £10,000 (2000: £nil).

15. CAPITAL COMMITMENTS

	2001 £'000	2000 £'000
Commitments on capital contracts placed at 31 December	9	-

16. CONTINGENT LIABILITIES

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.

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.