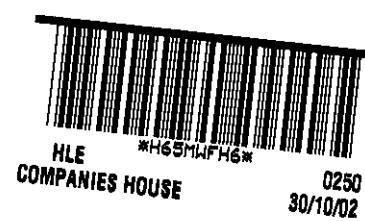


LANDFILL MANAGEMENT LIMITED

Report and Financial Statements

31 December 2001



LANDFILL MANAGEMENT LIMITED

REPORT AND FINANCIAL STATEMENTS 2001

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LANDFILL MANAGEMENT LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

N D A Sandy
H C Etheridge
S N Jennings

SECRETARY

A Waterhouse

REGISTERED OFFICE

3 Sidings Court
White Rose Way
Doncaster
DN4 5NU

BANKERS

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

SOLICITORS

Cunningham John
Fairstead House
7 Bury Road
Thetford
Norfolk
IP24 3PL

AUDITORS

Deloitte & Touche
Leeds

LANDFILL MANAGEMENT LIMITED

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITY

The principal activity of the company is the handling, recycling and disposal of waste materials.

REVIEW OF DEVELOPMENTS

The results of the company for the year are set out on page 5. In the opinion of the directors the company has traded satisfactorily during the year and trading is expected to continue at similar levels in the current year.

DIVIDENDS AND TRANSFERS TO RESERVES

The directors do not propose payment of a dividend (period ended 31 December 2000: £nil). The profit of £895,000 (period ended 31 December 2000: loss £389,000) is to be added to reserves.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year and since the year end were as follows:

J M Huntington	(resigned 4 April 2001)
N D A Sandy	(appointed 14 May 2001)
W A Trendell	(resigned 24 September 2001)
H C Etheridge	(appointed 24 September 2001)
S N Jennings	(appointed 4 April 2001)

None of the directors held an interest in the share capital of the company during the 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.

At 31 December 2001 Mr S N Jennings held 65,000 share options (2000: 30,000 share options) in Waste Recycling Group Plc.

CHARITABLE AND POLITICAL DONATIONS

The company did not make any charitable or political donations in either the current financial year or the previous financial period.

During the year the company has contributed £340,000 (period ended 31 December 2000: £31,122) 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
Company Secretary

14 October 2002

LANDFILL MANAGEMENT LIMITED

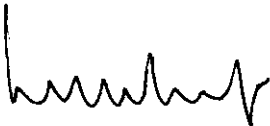
STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

14 October 2002

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LANDFILL MANAGEMENT LIMITED

We have audited the financial statements of Landfill Management Limited for the year ended 31 December 2001 which comprise the profit and loss account, the balance sheet and the related notes 1 to 17. 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.

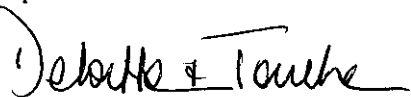
Basis of opinion

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 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
Leeds

28 OCTOBER

2002

LANDFILL MANAGEMENT LIMITED

PROFIT AND LOSS ACCOUNT Year ended 31 December 2001

		Year ended 31 December 2001 £'000	Nine months ended 31 December 2000 £'000
TURNOVER	2	5,863	2,369
Cost of sales		(4,742)	(2,367)
GROSS PROFIT		1,121	2
Administrative expenses		(233)	(449)
OPERATING PROFIT/(LOSS)	3	888	(447)
Interest receivable and similar income	5	7	63
Interest payable and similar charges	6	-	(5)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		895	(389)
Tax on profit/(loss) on ordinary activities	7	-	-
RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR/PERIOD		895	(389)
Deficit brought forward		(4,824)	(4,435)
Deficit carried forward		(3,929)	(4,824)

All results derive from continuing operations.

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

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

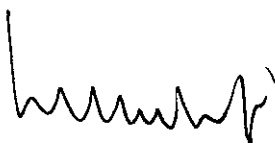
LANDFILL MANAGEMENT LIMITED

BALANCE SHEET 31 December 2001

	Note	31 December 2001 £'000	31 December 2000 £'000
FIXED ASSETS			
Tangible assets	8	326	171
CURRENT ASSETS			
Debtors	9	538	785
Cash at bank and in hand		-	1,701
		538	2,486
CREDITORS: amounts falling due within one year	10	(1,386)	(1,679)
NET CURRENT (LIABILITIES)/ASSETS		(848)	807
TOTAL ASSETS LESS CURRENT LIABILITIES		(522)	978
PROVISIONS FOR LIABILITIES AND CHARGES	11	(2,287)	(4,682)
		(2,809)	(3,704)
CAPITAL AND RESERVES			
Called up share capital	12	1,120	1,120
Profit and loss account		(3,929)	(4,824)
EQUITY SHAREHOLDERS' FUNDS		(2,809)	(3,704)

These financial statements were approved by the Board of Directors on **14 October** 2002.

Signed on behalf of the Board of Directors



H C Etheridge
Director

LANDFILL MANAGEMENT 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.

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

Fixed assets and depreciation

Tangible fixed assets are shown at cost.

Depreciation is provided on tangible fixed assets in use at rates calculated to write off the cost less residual value of assets as follows:

Landfill sites	- over the expected life of each site
Plant and machinery	- 10 years
Fixtures and fittings	- 3 to 5 years

Landfill sites include site engineering costs which are depreciated over the expected life of each site in proportion to the rate of landfill. All other assets are depreciated on a straight line basis.

Operating leases

All operating leases and the relevant annual rentals 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 costs and post closure monitoring

Full provision is made for the net present value (NPV) of the company's minimum unavoidable costs, in respect of restoration liabilities at the company's landfill site, which has been capitalised in tangible fixed assets. The company continues to provide for all after-care costs over the life of its landfill site, 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% and discounted at 5% to calculate the NPV. The effects of inflation and the unwinding of discount element on existing provisions are reflected as a financial item.

Deferred taxation

Deferred taxation is provided on the liability method on all timing differences to the extent that they are expected to reverse in the foreseeable future, calculated at the rate at which it is estimated that tax will be payable.

2. TURNOVER

All turnover was generated in the United Kingdom from the handling, recycling and disposal of waste materials.

LANDFILL MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2001

3. OPERATING PROFIT/(LOSS)

	Year ended 31 December 2001 £'000	Nine months ended 31 December 2000 £'000
Operating profit/(loss) is after charging:		
Auditors' remuneration:		
Audit	2	8
Other services	-	-
Depreciation and other amounts written off tangible fixed assets:	162	243
Operating leases - hired plant and machinery	172	201
	<u> </u>	<u> </u>

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

Average number of persons employed by the company in the year/period:	No	No
Site operatives	18	18
Administration	2	11
	<u> </u>	<u> </u>
	20	29
	<u> </u>	<u> </u>
Staff costs incurred during the year/period in respect of these employees were:	£'000	£'000
Wages and salaries	441	364
Social security costs	28	26
Other pension costs	38	20
	<u> </u>	<u> </u>
	507	410
	<u> </u>	<u> </u>

Emoluments of directors

	Year ended 31 December 2001 £'000	Nine months ended 31 December 2000 £'000
Remuneration	-	10
Pension contributions	-	-
	<u> </u>	<u> </u>
	-	10
	<u> </u>	<u> </u>

No director received any remuneration or other benefits through Landfill Management Limited during the year.

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	Year ended 31 December 2001 £'000	Nine months ended 31 December 2000 £'000
Bank interest	7	63
	<u> </u>	<u> </u>

LANDFILL MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2001

6. INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 31 December 2001 £'000	Nine months ended 31 December 2000 £'000
Other loans	-	5

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

There was no charge to corporation tax in either the year ended 31 December 2001 or the nine months ended 31 December 2000 due to the availability of tax losses brought forward.

8. TANGIBLE FIXED ASSETS

	Landfill sites £'000	Plant and machinery £'000	Fixtures, fittings, tools & equipment £'000	Total £'000
Cost				
At 1 January 2001	5,345	249	68	5,662
Additions	53	264		317
Reclassification	-	68	(68)	-
At 31 December 2001	5,398	581	-	5,979
Depreciation				
At 1 January 2001	5,244	181	66	5,491
Charge for the year	118	44	-	162
Reclassification	-	66	(66)	-
At 31 December 2001	5,362	291	-	5,653
Net book value				
At 31 December 2001	36	290	-	326
At 31 December 2000	101	68	2	171

The net book value of landfill sites includes £nil (31 December 2000: £25,596) in respect of a long leasehold premium.

9. DEBTORS

	2001 £'000	2000 £'000
Trade debtors	445	660
Other debtors	69	66
Prepayments and accrued income	24	59
	538	785

LANDFILL MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2001

10. CREDITORS: amounts falling due within one year

	2001 £'000	2000 £'000
Bank overdraft	587	-
Trade creditors	539	242
Amounts owed to group undertakings	7	1,198
Taxes and social security	246	232
Accruals and deferred income	7	7
	<u>1,386</u>	<u>1,679</u>

11. PROVISIONS FOR LIABILITIES AND CHARGES

	Landfill restoration £'000	Landfill aftercare £'000	Total £'000
At 1 January 2001	2,400	2,282	4,682
Transfer to profit and loss account	(46)	-	(46)
Expended in year	(2,295)	(54)	(2,349)
At 31 December 2001	<u>59</u>	<u>2,228</u>	<u>2,287</u>

Deferred taxation

There are no amounts of deferred taxation provided in either the current financial year or preceding financial period.

The amounts of deferred taxation not provided in the accounts are as follows:

	2001 £'000	2000 £'000
Capital allowances in excess of depreciation	5	33
Other	(93)	(2,178)
	<u>(88)</u>	<u>(2,145)</u>

12. CALLED UP SHARE CAPITAL

	2001 £'000	2000 £'000
Authorised:		
2,000,000 Ordinary shares of £1 each	<u>2,000</u>	<u>2,000</u>
Allotted, called up and fully paid:		
1,120,000 Ordinary shares of £1 each	<u>1,120</u>	<u>1,120</u>

13. 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.

LANDFILL MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2001

14. OPERATING LEASE COMMITMENTS

At 31 December 2001 the company was committed to making the following payments during the next year in respect of operating leases.

	2001 £'000	2000 £'000
Other		
Operating leases which expire:		
In 2 to 5 years	4	-

15. PENSIONS 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 LAWDC scheme during the year were £38,000 (Nine months ended 31 December 2000: £20,000)

16. ULTIMATE PARENT COMPANY

The company's immediate parent company is 3C Waste Limited, company registered in England and Wales.

The company's ultimate parent company and controlling party is Waste Recycling Group plc, a company registered in England and Wales. Copies of the group financial statements of Waste Recycling Group plc are available from Waste Recycling Group plc, 3 Sidings Court, White Rose Way, Doncaster, DN4 5NU. The immediate controlling party is 3C Waste Limited.

17. RELATED PARTY TRANSACTIONS

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