

Landfill Management Limited

Directors' report and financial
statements

Registered number 2069821

31 December 2003



Contents

Statutory information	1
Directors' report	2
Statement of directors' responsibilities	4
Report of the independent auditors to the members of Landfill Management Limited	5
Profit and loss account	6
Balance sheet	7
Notes	8

Statutory information

Directors

JR Meredith
LJD Cassells
SN Hardman

Company secretary

A Waterhouse

Registered office

3 Sidings Court
White Rose Way
Doncaster
DN4 5NU

Auditors

KPMG LLP
1 Puddle Dock
London
EC4V 3PD

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2003.

Principal activities

The principal activities of the company are the handling, recycling and disposal of waste materials.

Review of business and future developments

The results of the company for the year are set out on page 6. In the opinion of the directors the company has traded satisfactorily during the year and the present level of activity will be sustained for the foreseeable future.

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

Developments in the year

On 29 July 2003, the company's ultimate parent company and controlling party changed as a result of the acquisition of the entire issued share capital of Waste Recycling Group plc by Cholet Acquisitions Limited. The directors now consider that Terra Firma Capital Partners Holdings Limited is the company's ultimate controlling party and ultimate parent entity.

Dividends and transfers to reserves

The directors do not propose payment of a dividend (2002: *£nil*) and thus the retained profit of £1,835,000 (2002: £1,415,000) has been transferred to reserves.

Directors and their interests

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

NDA Sandy	(resigned 31 July 2003)
HC Etheridge	(resigned 31 July 2003)
SN Jennings	(resigned 31 July 2003)
PW Burns	(appointed 31 July 2003, resigned 30 September 2003)
QR Stewart	(appointed 31 July 2003, resigned 30 September 2003)
R Prior	(appointed 8 September 2003, resigned 15 January 2004)
JR Meredith	(appointed 8 September 2003)
LJD Cassells	(appointed 15 January 2004)
SN Hardman	(appointed 16 August 2004)

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

Charitable and political donations

The company made no charitable or political donations in either the current or previous financial year.

During the year the company contributed *£nil* (2002: £152,000) of its landfill tax liability to approved environmental bodies, as permitted by government regulations.

Directors' report *(continued)*

Auditors

On 31 July 2003, Deloitte & Touche resigned as auditor to the company. On 31 July 2003 KPMG LLP were appointed by the directors in their place to fill the casual vacancy.

By order of the board

A handwritten signature in black ink, appearing to read 'A Waterhouse', written over a horizontal line.

A Waterhouse
Company Secretary

25 October 2004

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 and of the profit or loss 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, subject to any material departures disclosed and explained in the financial statements;
- 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG LLP

1 Puddle Dock
London
EC4V 3PD
United Kingdom

Report of the independent auditors to the members of Landfill Management Limited

We have audited the financial statements on pages 6 to 15.

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 auditor's 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

The directors are responsible for preparing the directors' report and, as described on page 4, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 to you 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.

Basis of audit opinion

We conducted our audit in accordance with 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 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

26 October 2004

Profit and loss account
year ended 31 December 2003

	<i>Note</i>	2003 £000	2002 £000
Turnover	<i>2</i>	6,686	6,606
Cost of sales		(4,306)	(5,074)
Gross profit		2,380	1,532
Administrative expenses		(430)	(6)
Operating profit		1,950	1,526
Interest payable and similar charges	<i>5</i>	(102)	(111)
Profit on ordinary activities before taxation	<i>3</i>	1,848	1,415
Tax on profit on ordinary activities	<i>6</i>	(13)	-
Retained profit for the financial year		1,835	1,415
Retained deficit brought forward		(2,514)	(3,929)
Retained deficit carried forward		(679)	(2,514)

All results are derived from continuing operations.

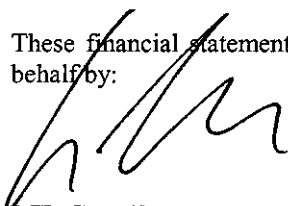
There are no recognised gains and losses in either the current or previous financial year other than the profit and loss account. Therefore, no separate statement of total recognised gains and losses has been presented.

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

Balance sheet
at 31 December 2003

	<i>Note</i>	2003 £000	2002 £000
Fixed assets			
Tangible assets	7	3,940	3,236
Current assets			
Debtors: amounts due within one year	8	297	311
Debtors: amounts due after more than one year	9	-	907
Creditors: amounts falling due within one year	10	(2,489)	(2,748)
Net current liabilities		(2,192)	(1,530)
Total assets less current liabilities		1,748	1,706
Provisions for liabilities and charges	11	(1,307)	(3,100)
		441	(1,394)
Capital and reserves			
Called up share capital	12	1,120	1,120
Profit and loss account		(679)	(2,514)
Equity shareholders' funds		441	(1,394)

These financial statements were approved by the board of directors on 25 October 2004 and were signed on its behalf by:



LJD Cassells
 Director

Notes

(forming part of the financial statements)

1 Accounting policies

These financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies applied consistently in relation to items which are considered material to the company's financial statements are described below. The company has followed the transitional arrangements of FRS17 'Retirement Benefits' in these financial statements.

Accounting convention

The financial statement are prepared under the historical cost convention.

Cash flow statement

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 has prepared a consolidated cash flow statement.

Related party transactions

As the company is a wholly owned subsidiary of Cholet Holdings Limited, the company has taken advantage of the exemption contained in FRS8 and has therefore not disclosed transactions or balances with entities that form part of the group. The consolidated financial statements of Cholet Holdings Limited, within which this company is included, can be obtained from the address given in note 18.

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 stated at cost.

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

Freehold landfill sites	- based on the void used in the period as a proportion of total void
Plant and equipment	- 3 to 10 years
Motor vehicles	- 3 to 5 years

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.

Operating leases

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

Post Retirement Benefits

The company participates in two pension schemes providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company. The company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS17 'Retirement Benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Notes (continued)

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 fixed assets. The company continues to provide for all aftercare 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 aftercare costs are calculated based on the NPV of estimated future costs. Current cost estimates are inflated at 2.5 per cent and discounted at 5 per cent to calculate the NPV. The effects of the unwinding of the discount element on existing provisions are reflected as a financial item.

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised with discounting in respect of all timing differences between the treatment of certain items of taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS19.

2 Turnover

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

3 Operating profit

	2003 £000	2002 £000
Profit on ordinary activities before taxation is stated after charging:		
Depreciation and other amounts written off tangible fixed assets	134	35
Operating leases – hired plant and machinery	182	124
	<hr/>	<hr/>

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

4 Information regarding directors and employees

None of the directors received any remuneration or other benefits through Landfill Management Limited during the year. They are remunerated as directors or employees of the company's parent company, Waste Recycling Group Limited.

	2003 No	2002 No
Average number of persons employed (excluding directors) by the company during the year:		
Site operatives	13	15
Administration	1	2
	<hr/>	<hr/>
	14	17
	<hr/>	<hr/>

Notes (continued)

4 Information regarding directors and employees (continued)

	2003 £000	2002 £000
Staff costs incurred during the year (excluding directors) in respect of these employees were:		
Wages and salaries	247	292
Social security costs	19	20
Other pension costs	24	27
	<u>290</u>	<u>339</u>

5 Interest payable and similar charges

	2003 £000	2002 £000
Bank payable and similar charges	117	-
Unwinding of discount (note 11)	(15)	111
	<u>102</u>	<u>111</u>
Net interest payable/(receivable)		

6 Taxation

	2003 £000	2002 £000
UK Corporation tax		
United Kingdom corporation tax at 30% (2002: 30%) based on profits for the year	-	-
Adjustments in respect of prior years	13	-
	<u>13</u>	<u>-</u>
Tax on profit on ordinary activities		

The total current tax charge for the current year and previous year are less than (2002: less than) the standard rate of 30% for the reasons set out in the following reconciliation:

	2003 £000	2002 £000
Profit on ordinary activities before tax	1,846	1,415
	<u>554</u>	<u>425</u>
Tax on profit on ordinary activities at standard rate		
Factors affecting charge:		
Expenses not deductible for tax purposes	(6)	-
Group loss relief claimed	(329)	-
Utilisation of brought forward tax losses	-	(116)
Capital allowances in excess of depreciation	36	(231)
Utilisation of general provisions	(238)	(61)
Site preparation relief	(17)	(17)
Adjustments in respect of prior years	13	-
	<u>13</u>	<u>-</u>

Notes (continued)

7 Tangible fixed assets

	Landfill sites £000	Other property £000	Plant and equipment £000	Total £000
Cost				
At 1 January 2003	5,362	2,981	581	8,924
Additions	-	-	897	897
Disposals	(2,402)	-	(328)	(2,730)
Transfers between group companies/reclassifications	6	(2,981)	2,912	(63)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2003	2,966	-	4,062	7,028
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At 1 January 2003	5,362	-	326	5,688
Charge for the year	-	-	134	134
On disposals	(2,400)	-	(340)	(2,740)
Transfers between group companies/reclassifications	1	-	5	6
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2003	2,963	-	125	3,088
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 December 2003	3	-	3,937	3,940
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2002	-	2,981	255	3,236
	<hr/>	<hr/>	<hr/>	<hr/>

The cost and depreciation amounts for certain assets have been reclassified following a detailed review by management of the fixed asset records.

8 Debtors: amounts due within one year

	2003 £000	2002 £000
Amounts due from fellow group undertakings	297	298
Corporation tax	-	13
	<hr/>	<hr/>
	297	311
	<hr/>	<hr/>

9 Debtors: amounts due after more than one year

	2003 £000	2002 £000
Prepayments and accrued income	-	907
	<hr/>	<hr/>

Notes (continued)

10 Creditors: amounts falling due within one year

	2003	2002
	£000	£000
Amounts owed to fellow group companies	2,489	2,748

11 Provisions for liabilities and charges

	Other provisions £000	Landfill restoration £000	Landfill aftercare £000	Total £000
At 1 January 2003	-	907	2,193	3,100
Credited to profit and loss account following a revision of estimation basis	-	(620)	(612)	(1,232)
Charged in profit and loss account	4	-	-	4
Unwinding of discount (note 5)	-	2	100	102
Expenditure in the year	-	(289)	(378)	(667)
At 31 December 2003	4	-	1,303	1,307

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	
	2003 £000	2002 £000	2003 £000	2002 £000
Capital allowances in excess of depreciation	-	230	(17)	-
Short term timing differences	-	(230)	-	(41)
	-	-	(17)	(41)

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

Notes (continued)

12 Called up share capital

	2003 £'000	2002 £'000
<i>Authorised:</i>		
2,000,000 ordinary shares of £1 each	2,000	2,000
<i>Allotted, called up and fully paid:</i>		
1,120,000 ordinary shares of £1 each	1,120	1,120

13 Contingent liabilities

- a) The company has entered into unlimited cross-guarantees with its bankers relating to the borrowings of other group companies.
- b) 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.

14 Capital commitments

	2003 £000	2002 £000
Commitments on capital contracts placed at 31 December	-	352

15 Operating lease commitments

At 31 December 2003, the company was committed to making the following payments during the next year in respect of operating leases on plant and equipment.

	Plant and Machinery 2003 £000	2002 £000
Operating leases which expire:		
In two to five years	23	30

16 Pension contributions

Certain employees of the company are members of the LAWDC's Pension Scheme in which Waste Recycling Group Limited 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 Limited.

Contributions to the scheme for the period are stated below and the agreed contribution rate commencing from 1 January 2003 is 16%.

Notes (continued)

16 Pensions contributions (continued)

An actuarial valuation of the scheme at 31 March 2003 indicated that the scheme was 106% funded based upon the minimum funding requirement basis. At 31 December 2003 the deficit on the group section of the scheme, calculated on an FRS 17 basis, was £4,946,000 (2002: £3,813,000). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

	2003 £000	2002 £000
LAWDC pension scheme	24	27

17 Related party transactions

In the ordinary course of business, the company has also traded with fellow subsidiaries of Cholet Holdings Limited. The company has taken advantage of the exemption conferred by FRS8 from disclosing details of these transactions.

18 Ultimate parent company

The company's immediate parent company is Waste Recycling Group Limited, a company which is registered in England and Wales.

The directors regard Terra Firma Capital Partners Holdings Limited, a company registered in Guernsey, as the ultimate controlling party and the ultimate parent entity.

Cholet Holdings Limited is the parent company of the largest group of which the company is a member and for which group accounts are drawn up. Copies of Cholet Holdings Limited financial statements are available from 3 Sidings Court, White Rose Way, Doncaster, DN4 5NU.