

WASTE RECYCLING GROUP (YORKSHIRE) LIMITED

Report and Financial Statements

31 December 2002



WASTE RECYCLING GROUP (YORKSHIRE) LIMITED

REPORT AND FINANCIAL STATEMENTS 2002

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WASTE RECYCLING GROUP (YORKSHIRE) LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

N D A Sandy
H C Etheridge
P A Tomes
K Bird

SECRETARY

A Waterhouse

REGISTERED OFFICE

3 Sidings Court
White Rose Way
Doncaster
DN4 5NU

AUDITORS

Deloitte & Touche
1 City Square
Leeds
LS1 2AL

WASTE RECYCLING GROUP (YORKSHIRE) LIMITED

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITY

The principal activity of the company continues to be the handling, recycling and disposal of waste materials.

REVIEW OF DEVELOPMENTS

In the opinion of the directors the company has traded satisfactorily during the year and is expected to continue trading profitability in the forthcoming financial 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, a wholly owned subsidiary of Terra Firma Investments (GP) 2 Limited. The directors consider that Terra Firma Investments (GP) 2 Limited, a company incorporated in Guernsey, is the new ultimate parent company and controlling party.

RESULTS AND DIVIDENDS

The profit after taxation for the year amounted to £239,000 (2001: £22,000 loss). No dividends have been paid or proposed in either the current or previous financial year and thus the profit for the year of £239,000 (2001: £22,000 loss) has been added to (2001: withdrawn from) reserves.

DIRECTORS AND THEIR INTERESTS

The directors who served during the period were as follows:

N D A Sandy
H C Etheridge
P A Tomes
K Bird

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

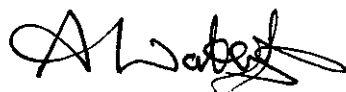
The interests of the other directors in the share capital of Waste Recycling Group plc are disclosed in note 4.

CHARITABLE AND POLITICAL DONATIONS

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

During the year the company contributed £426,000 (2001 - £313,000) of its landfill tax liability to ENTRUST registered environmental bodies, as permitted by government regulations.

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



A Waterhouse
Company Secretary

30 July

2003

WASTE RECYCLING GROUP (YORKSHIRE) LIMITED

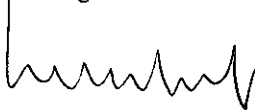
STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

30 July

2003

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WASTE RECYCLING GROUP (YORKSHIRE) LIMITED

We have audited the financial statements of Waste Recycling Group (Yorkshire) 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 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

31 JULY 2003

WASTE RECYCLING GROUP (YORKSHIRE) LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 31 December 2002

	Note	2002 £'000	2001 £'000
TURNOVER	2	3,799	2,923
Cost of sales		(3,151)	(2,612)
GROSS PROFIT		648	311
Administrative expenses		(166)	(124)
OPERATING PROFIT	3	482	187
Interest payable and similar charges	5	(102)	(90)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		380	97
Tax on profit on ordinary activities	6	(141)	(119)
PROFIT/(LOSS) RETAINED FOR THE FINANCIAL YEAR		239	(22)
Retained deficit brought forward		(22)	-
Retained profit/(deficit) carried forward		217	(22)

The results for the year ended 31 December 2001 comprise 11 months of trading only as the company had previously been dormant prior to 31 January 2001.

All results derive from continuing operations.

There are no recognised gains and losses in either the current or previous financial year other than those reflected in the profit and loss account above. Consequently, a statement of total recognised gains and losses is not presented.

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

WASTE RECYCLING GROUP (YORKSHIRE) LIMITED

BALANCE SHEET

31 December 2002

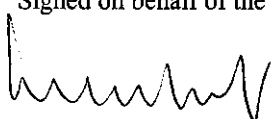
	Note	2002 £'000	2001 £'000
FIXED ASSETS			
Tangible assets	7	860	1,414
CURRENT ASSETS			
Debtors: amounts due within one year	8	332	856
Debtors: amounts due in more than one year	9	1,522	-
Cash at bank and in hand		-	731
CREDITORS: amounts falling due within one year	10	1,854 (99)	1,587 (936)
NET CURRENT ASSETS		1,755	651
TOTAL ASSETS LESS CURRENT LIABILITIES		2,615	2,065
PROVISIONS FOR LIABILITIES AND CHARGES	11	(2,397)	(2,086)
		218	(21)
CAPITAL AND RESERVES			
Called up share capital	12	1	1
Profit and loss account		217	(22)
EQUITY SHAREHOLDERS' FUNDS		218	(21)

These financial statements were approved by the Board of Directors on

30 July

2003.

Signed on behalf of the Board of Directors



H C Etheridge

Director

WASTE RECYCLING GROUP (YORKSHIRE) 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.

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 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	- 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.

Pensions

The company participates in the defined contribution schemes operated by Waste Recycling Group Plc on behalf of its eligible employees. Contributions to the schemes are charged to the profit and loss account for the year in which they are payable.

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 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 period, 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 effects of inflation and the unwinding of discount element on existing provisions are reflected as a financial item.

WASTE RECYCLING GROUP (YORKSHIRE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2002

1. ACCOUNTING POLICIES (continued)

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 from the handling, recycling and disposal of waste materials.

3. OPERATING PROFIT

	2002 £'000	2001 £'000
Operating profit is after charging:		
Depreciation and other amounts written off tangible fixed assets	636	534
Operating lease rentals – plant and machinery	16	14
	<u>652</u>	<u>548</u>

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

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

No director received any remuneration or other benefits from Waste Recycling Group (Yorkshire) Limited during the year.

Average number of persons employed by the company in the year:	2002 No	2001 No
Site operatives	5	5
	<u>5</u>	<u>5</u>

Staff costs incurred during the year in respect of these employees were:	2002 £'000	2001 £'000
Wages and salaries	126	100
Social security costs	12	9
Other pension costs	9	5
	<u>147</u>	<u>114</u>

WASTE RECYCLING GROUP (YORKSHIRE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2002

4 INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

Directors' interests

The following non-group directors had interests in the share capital of Waste Recycling Group plc at the beginning and end of the financial year by virtue of their holdings of share options in that company.

	Share options	
	At 31 December 2002 No.	At 1 January 2002 No.
K A Bird	28,000	28,000
P A Tomes	52,000	52,000

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2002 £'000	2001 £'000
Unwinding of discount (note 11)	102	90

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2002 £'000	2001 £'000
Corporation tax		
United Kingdom corporation tax at 30% (2001: 30%) based on profits for the year	-	119
Total current tax charge	-	119
Deferred tax		
Timing differences, origination and reversal	141	-
Tax on profit on ordinary activities	141	119

The total current tax charge for the current 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 on ordinary activities before tax	380	97
Tax on profit on ordinary activities at standard rate	114	29
Factors affecting charge:		
Expenses not deductible for tax purposes	172	213
Losses surrendered to fellow group undertakings	304	-
Depreciation in excess of capital allowances	4	-
Utilisation of general provisions	(436)	(47)
Site preparation relief	(158)	(76)
	-	119

WASTE RECYCLING GROUP (YORKSHIRE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2002

7. TANGIBLE FIXED ASSETS

	Landfill sites £'000	Plant and machinery £'000	Total £'000
Cost			
At 1 January 2002	1,690	258	1,948
Additions	82	-	82
	<hr/>	<hr/>	<hr/>
At 31 December 2002	1,772	258	2,030
	<hr/>	<hr/>	<hr/>
Depreciation			
At 1 January 2002	474	60	534
Charge for the year	573	63	636
	<hr/>	<hr/>	<hr/>
At 31 December 2002	1,047	123	1,170
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 December 2002	725	135	860
	<hr/>	<hr/>	<hr/>
At 31 December 2001	1,216	198	1,414
	<hr/>	<hr/>	<hr/>

8. DEBTORS: amounts due within one year

	2002 £'000	2001 £'000
Trade debtors	-	702
Amounts due from fellow group undertakings	332	-
Other debtors	-	108
Prepayments and accrued income	-	46
	<hr/>	<hr/>
	332	856
	<hr/>	<hr/>

9. DEBTORS: amounts due after more than one year

	2002 £'000	2001 £'000
Prepayments and accrued income	1,522	-
	<hr/>	<hr/>

10. CREDITORS: amounts falling due within one year

	2002 £'000	2001 £'000
Trade creditors	-	37
Amounts due to ultimate parent undertaking	98	-
Amounts due to fellow group undertakings	1	-
Corporation tax	-	98
Other taxes and social security	-	459
Other creditors	-	342
	<hr/>	<hr/>
	99	936
	<hr/>	<hr/>

WASTE RECYCLING GROUP (YORKSHIRE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2002

11. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred taxation £'000	Landfill restoration £'000	Landfill aftercare £'000	Total £'000
At 1 January 2002	-	1,459	627	2,086
Charge to profit and loss account	141	-	68	209
Unwinding of discount (note 5)	-	70	32	102
At 31 December 2002	141	1,529	727	2,397

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	(3)	-	-	-
Short term timing differences	144	-	(162)	(438)
	141	-	(162)	(438)

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, allotted, called up and fully paid:		
1,000 ordinary shares of £1 each	1	1

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.

14. OPERATING LEASE COMMITMENTS

At 31 December 2002 the company had annual commitments under operating leases as follows:

	Plant and machinery	
	2002 £'000	2001 £'000
Operating leases which expire:		
- within one year	-	-
- in two to five years	5	-
- after five years	-	-
	5	-

The company is also subject to a minimum annual commitment of £50,000 (2001: £50,000) in respect of landfill royalties. The contract expires in more than five years time and the amount payable above £50,000 varies in proportion to the tonnage of waste that is deposited.

WASTE RECYCLING GROUP (YORKSHIRE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2002

15. CAPITAL COMMITMENTS

	2002 £'000	2001 £'000
Authorised and contracted	4	40

16. PENSION CONTRIBUTIONS

The company participates in the defined contribution schemes operated by Waste Recycling Group Plc on behalf of its eligible employees. The assets of these schemes are held separately from those of the company in independently administered funds.

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.

The contributions made by the company under the different schemes during the year were as follows:

	2002 £'000	2001 £'000
Defined contribution schemes	1	-
LAWDC pension scheme	8	5
	<u>9</u>	<u>5</u>

* 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.

17. RELATED PARTY TRANSACTIONS

In the ordinary course of business, the company has 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 immediate parent company is Darrington Quarries Ltd, a company registered in England and Wales.

At 31 December 2002, the ultimate parent company and controlling party of Waste Recycling Group (Yorkshire) Limited was 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 3 Sidings Court, White Rose Way, Doncaster, DN4 5NU.

On 29 July 2003, Cholet Acquisitions Limited, a wholly owned subsidiary of Terra Firma Investments (GP) 2 Limited, acquired the entire issued share capital of Waste Recycling Group plc. The directors consider therefore, that Terra Firma Investments (GP) 2 Limited, a company incorporated in Guernsey, is the ultimate parent company and controlling party.