

LINCWASTE LIMITED

Report and Financial Statements

31 December 2001



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LINCWASTE LIMITED

REPORT AND FINANCIAL STATEMENTS 2001

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LINCWASTE LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

C A Carr
T C Walsh
H C Etheridge
N D A Sandy
G P Knott
M Stewart

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
Chartered Accountants
10-12 East Parade
Leeds
LS1 2AJ

LINCWASTE 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 AND FUTURE PROSPECTS

In the opinion of the directors the company has traded satisfactorily during the year and profitability is expected to continue for the foreseeable future.

On 17 January 2001, the company's immediate parent company, Waste Recycling Group plc, purchased the business and assets of Hanson Waste Management, a trading division of Hanson Quarry Products Europe Limited. Subsequently certain business and related assets purchased by the parent company were transferred into Lincwaste Limited on that date. Further details are set out in note 19.

On 7 September 2001 the company acquired an active landfill site from SITA together with its associated trade and net assets. Further details are set out in note 19.

RESULTS AND DIVIDENDS

The results for the year are set out on page 6.

A dividend of £2,000,000 has been paid during the year (2000: £1,800,000) and thus £2,228,000 (2000 - £1,871,000) has been transferred to reserves.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year were as follows:

C A Carr	
T C Walsh	
J M Huntington	(resigned 4 April 2001)
W A Trendell	(resigned 24 September 2001)
H C Etheridge	(appointed 24 September 2001)
N D A Sandy	(appointed 14 May 2001)
G P Knott	(appointed 2 January 2001)
M Stewart	(appointed 2 January 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.

The interests of the other directors in the share capital of the parent company are disclosed in note 4.

CREDITOR DAYS

It is the policy of the company to settle the terms of payment with all suppliers when agreeing the terms of the transactions as a whole and to abide by such terms.

The company's outstanding creditor days at the end of the year were 30 days.

CHARITABLE AND POLITICAL DONATIONS

During the year the company made donations to charities of £nil (2000: £1,940). The company has also contributed £1,217,000 (2000: £928,000) of its landfill tax liability to ENTRUST registered environmental bodies, as permitted by government regulations.

LINCWASTE LIMITED

DIRECTORS' REPORT

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 handwritten signature in black ink, appearing to read 'A Waterhouse', with a stylized flourish at the end.

A Waterhouse
Company Secretary
28 June 2002

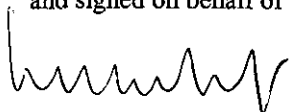
STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 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
28 June 2002

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LINCWASTE LIMITED

We have audited the financial statements of Lincwaste Limited for the year ended 31 December 2001 which comprise the profit and loss account, the balance sheet and the related notes 1 to 21. 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.

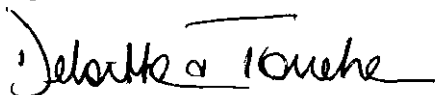
Basis of opinion

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

10-12 East Parade
Leeds
LS1 2AJ

28 JUNE 2002

LINCWASTE LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 31 December 2001

	Note	Continuing Operations £'000	Acquisitions £'000	Total £'000	2000 £'000
TURNOVER	2	24,638	1,871	26,509	23,154
Cost of sales		(17,198)	(1,512)	(18,710)	(16,267)
GROSS PROFIT		7,440	359	7,799	6,887
Administrative expenses		(1,701)	-	(1,701)	(1,134)
Goodwill amortisation		-	(28)	(28)	-
OPERATING PROFIT	3	5,739	331	6,070	5,753
Interest payable and similar charges	5			(274)	(172)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION				5,796	5,581
Tax on profit on ordinary activities	6			(1,568)	(1,910)
PROFIT FOR THE FINANCIAL YEAR				4,228	3,671
Dividends	7			(2,000)	(1,800)
RETAINED PROFIT FOR THE FINANCIAL YEAR				2,228	1,871
Retained profit brought forward				2,815	944
Retained profit carried forward				5,043	2,815

There are no recognised gains and losses for the current financial year or the preceding financial year other than as stated in the profit and loss account. Consequently no statement of total recognised gains and losses is presented.

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

LINCWASTE LIMITED

BALANCE SHEET

31 December 2001

	Note	2001 £'000	2000 £'000
FIXED ASSETS			
Intangible assets	8	1,618	-
Tangible assets	9	22,740	17,240
Investments	10	-	-
		<u>24,358</u>	<u>17,240</u>
CURRENT ASSETS			
Debtors	11	5,904	5,466
Cash at bank and in hand		1	2
		<u>5,905</u>	<u>5,468</u>
CREDITORS: amounts falling due within one year	12	<u>(16,194)</u>	<u>(13,954)</u>
NET CURRENT LIABILITIES		<u>(10,289)</u>	<u>(8,486)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		14,069	8,754
PROVISIONS FOR LIABILITIES AND CHARGES	13	<u>(3,936)</u>	<u>(849)</u>
		<u>10,133</u>	<u>7,905</u>
CAPITAL AND RESERVES			
Called up share capital	14	5,090	5,090
Profit and loss account		5,043	2,815
EQUITY SHAREHOLDERS' FUNDS	15	<u>10,133</u>	<u>7,905</u>

These financial statements were approved by the Board of Directors on 28 June 2002.

Signed on behalf of the Board of Directors



H C Etheridge
Director

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.

Goodwill

Purchased goodwill, representing the excess of the purchase price over the fair value of the net assets acquired, is capitalised and is being written off on a straight line basis over its estimated useful life up to a maximum of 20 years. The directors regard 20 years as a reasonable maximum for the estimated useful life of goodwill.

Investments

Investments are stated at cost less provision for any impairment in value.

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	- 4 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

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.

The company also contributes to personal pension schemes of employees who are not members of the LAWDC's pension scheme or the Group operated defined contribution pension schemes. These contributions are charged to the profit and loss account for the year in which they are payable.

LINCWASTE LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2001

1. ACCOUNTING POLICIES (continued)

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 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% and discounted at 5% to calculate NPV. The effect of the unwinding of the discount element on existing provisions is 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.

3. OPERATING PROFIT

	2001 £'000	2000 £'000
Operating profit is stated after charging:		
Auditors remuneration:		
Audit	20	18
Other	5	-
Depreciation and other amounts written off tangible fixed assets:		
Owned	1,387	1,323
Operating leases:		
Land and buildings	18	18
Hired plant and machinery	120	201

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

None of the directors received remuneration or other benefits through Lincwaste Limited during the year. They are remunerated as directors or employees of the ultimate parent company.

The number of directors to whom retirement benefits accrued during the year under the company's defined benefit scheme in respect of qualifying services as a director was 1 (2000 - 1).

Average number of persons employed by the company in the year	2001 No	2000 No
Site operatives	45	51
Administration	10	6
Directors	4	4
	<u>59</u>	<u>61</u>
Staff costs incurred during the year in respect of these employees were	2001 £'000	2000 £'000
Wages and salaries	1,013	1,185
Social security costs	85	93
Other pension costs	32	25
	<u>1,130</u>	<u>1,303</u>

LINCWASTE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2001

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

Directors interests

Share options	
At 31	At 1
December	January
2001	2001

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:

T C Walsh	30,000	57,862
C A Carr	82,766	93,177
G P Knott	36,248	31,248
M Stewart	29,836	37,247

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2001	2000
	£'000	£'000
Bank overdraft	-	4
Unwinding of discount (see note 13)	274	168
	<u>274</u>	<u>172</u>

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2001	2000
	£'000	£'000
UK corporation tax at 30% (2000- 30%) on the profit for the year on ordinary activities	1,610	1,910
Adjustments to prior year - corporation tax	(42)	-
	<u>1,568</u>	<u>1,910</u>

The tax charge for the year is less than the standard rate of 30% as a result of allowances and reliefs available on the preparation of landfill sites.

7. DIVIDENDS

	2001	2000
	£'000	£'000
On equity shares		
Final dividend paid of 39.3p per share (2000- 35.4p)	<u>2,000</u>	<u>1,800</u>

LINCWASTE LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2001

8. INTANGIBLE FIXED ASSETS

	Goodwill £'000
Cost	
At 1 January 2001	-
Additions (see note 19(b))	1,646
At 31 December 2001	<u>1,646</u>
Amortisation	
At 1 January 2001	-
Charge for the year	28
At 31 December 2001	<u>28</u>
Net book value	
At 31 December 2001	<u>1,618</u>
At 31 December 2000	<u>-</u>

9. TANGIBLE FIXED ASSETS

	Freehold Landfill sites £'000	Plant & machinery £'000	Motor vehicles £'000	Total £'000
Cost				
At 1 January 2001	20,526	2,352	135	23,013
Additions	6,525	316	59	6,900
Disposals	-	-	(44)	(44)
At 31 December 2001	<u>27,051</u>	<u>2,668</u>	<u>150</u>	<u>29,869</u>
Depreciation				
At 1 January 2001	4,181	1,548	44	5,773
Charge for the year	1,164	190	33	1,387
Eliminated on disposals	-	-	(31)	(31)
At 31 December 2001	<u>5,345</u>	<u>1,738</u>	<u>46</u>	<u>7,129</u>
Net book value				
At 31 December 2001	<u>21,706</u>	<u>930</u>	<u>104</u>	<u>22,740</u>
At 31 December 2000	<u>16,345</u>	<u>804</u>	<u>91</u>	<u>17,240</u>

Included within additions above are assets acquired with businesses during the year. See note 19 for further details.

10. INVESTMENTS

The company holds a £1 share (constituting a 50% shareholding) in Energylinx Limited, a dormant company registered in England and Wales. The company has claimed exemption from preparing group accounts on the grounds that it is a subsidiary of a larger group company that prepares consolidated financial statements.

LINCWASTE LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2001

11. DEBTORS

	2001 £'000	2000 £'000
Trade debtors	4,607	3,860
Amounts owed by group undertakings	612	945
Other debtors	-	282
Prepayments and accrued income	685	379
	<u>5,904</u>	<u>5,466</u>

12. CREDITORS: amounts falling due within one year

	2001 £'000	2000 £'000
Bank overdraft	7,389	8,686
Trade creditors	1,406	1,154
Amounts owed to parent undertaking	-	39
Amounts owed to other group undertakings	388	397
Corporation tax	3,002	2,649
Other taxes and social security	1,299	603
Other creditors	49	-
Accruals and deferred income	2,661	426
	<u>16,194</u>	<u>13,954</u>

13. PROVISIONS FOR LIABILITIES AND CHARGES

	Landfill restoration £'000	Landfill aftercare £'000	Total £'000
At 1 January 2001	138	711	849
Charge to profit and loss account	-	201	201
On acquisition of business	1,189	1,423	2,612
Unwinding of discount (see note 5)	155	119	274
	<u>1,482</u>	<u>2,454</u>	<u>3,936</u>
At 31 December 2001			

The amount of unprovided deferred taxation is set out below:

	2001 £'000	2000 £'000
Capital allowances in excess of depreciation	(43)	15
Short term timing differences	913	434
	<u>870</u>	<u>449</u>

14. CALLED UP SHARE CAPITAL

	2001 £'000	2000 £'000
Authorised: 6,000,000 ordinary shares of £1 each	6,000	6,000
Allotted, called up and fully paid: 5,089,900 ordinary shares of £1 each	<u>5,090</u>	<u>5,090</u>

LINCWASTE LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2001

15. CONTINGENT LIABILITIES

- a) The company has entered into unlimited cross-guarantees with its bankers relating to the borrowings of other group companies, amounting to £40,874,000 (2000: £22,895,000) at 31 December 2001.
- 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.

16. CAPITAL COMMITMENTS

	2001 £'000	2000 £'000
Contracted for	575	502

17. 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.

	Land & Buildings 2001 £'000	Other 2001 £'000	Land & Buildings 2000 £'000	Other 2000 £'000
Operating leases which expire:				
Within one year	18	2	-	-
In the second to fifth years inclusive	-	-	18	10
In over five years	120	-	120	-
	<u>138</u>	<u>2</u>	<u>138</u>	<u>10</u>

18. PENSION SCHEME

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 2001 the deficit on the group section of the scheme, calculated on an FRS 17 basis, was £1,339,000. 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:

	2001 £'000	2000 £'000
Defined contribution schemes	8	2
LAWDC pension scheme	24	23
	<u>32</u>	<u>25</u>

LINCWASTE LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2001

19. ACQUISITIONS

(a) Hanson Waste Management (HWM)

On 17 January 2001 the company's ultimate parent company, Waste Recycling Group plc (WRG), acquired the business of HWM for a total consideration of £185,000,000. Following the acquisition, the trade and net assets of HWM were transferred at their fair values to the subsidiary undertakings which comprise the WRG 'group'.

The provisional fair values of the net liabilities transferred to the company are as follows:

	At date of acquisition £'000
Tangible fixed assets	347
Stock	1
Debtors	9
Provisions	(1,135)
Net liabilities acquired	(778)

The provisional fair values represent the directors' current estimates of the net assets acquired. However, in accordance with FRS 7, the values attributed may be revised as further information becomes available.

The results from the date of acquisition are included in the results from acquisitions shown on page 6. It is only possible to analyse the results down to gross profit, as overhead costs are not allocated on a site-by-site basis. No comparative information is available on a site-by-site basis but full disclosure of the impact of the HWM acquisition is given in the financial statements of Waste Recycling Group plc.

	Date of Acquisition to 31 December £'000
Turnover	1,124
Cost of sales	(945)
Gross profit	179

(b) Site acquired from SITA Holdings UK Limited

On 7 September 2001 the company acquired an active landfill site from SITA together with its associated trade and net assets for a total consideration of £315,000. The provisional fair values of the assets and liabilities acquired are as follows:

	At date of acquisition £'000
Tangible fixed assets	1,468
Accruals	(1,322)
Provisions	(1,477)
Net liabilities acquired	(1,331)
Goodwill	1,646
Cash consideration paid	315

LINCWASTE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2001

19. ACQUISITIONS (continued)

(b) Site acquired from SITA Holdings UK Limited (continued)

The provisional fair values represent the directors' current estimates of the net assets acquired. However, in accordance with FRS 7, the values attributed may be revised as further information becomes available.

The results of the site from the date of acquisition are included in the results from acquisitions shown on page 6. The results are only analysed down to gross profit as overhead costs are not allocated on a site-by-site basis. No comparative information is available on a site-by-site basis but full disclosure of the impact of the SITA acquisition is given in the financial statements of Waste Recycling Group plc.

	Date of Acquisition to 31 December £'000
Turnover	747
Cost of sales	(567)
Gross profit	180

20. ULTIMATE PARENT COMPANY

The company's immediate parent company is Herrington Limited, a company which is incorporated in England and Wales.

The ultimate parent company of Lincwaste Limited is Waste Recycling Group plc, a company incorporated 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.

21. 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.