

LINCWASTE LIMITED

Report and Financial Statements

31 December 2002



LINCWASTE LIMITED

REPORT AND FINANCIAL STATEMENTS 2002

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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

AUDITORS

Deloitte & Touche
1 City Square
Leeds
LS1 2AL

LINCWASTE 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 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.

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

RESULTS AND DIVIDENDS

The results for the year are set out on page 5.

A dividend of £2,000,000 has been paid during the year (2001: £2,000,000) and thus £863,000 (2001: £2,228,000) has been transferred to reserves.

DIRECTORS AND THEIR INTERESTS

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

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

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 the parent company are disclosed in note 4.

CREDITOR DAYS

As stated under the review of developments above, the company's trade creditors are now administered under a management agreement with Waste Recycling Limited and consequently the company has no trade creditors.

CHARITABLE AND POLITICAL DONATIONS

During the year the company donated £nil (2001: £nil) to charities. The company has also contributed £1,394,000 (2001: £1,217,000) of its landfill tax liability to ENTRUST registered 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

27 June 2003

LINCWASTE 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

27 June

2003

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LINCWASTE LIMITED

We have audited the financial statements of Lincwaste 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 21. 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

30 June

2003

LINCWASTE LIMITED

PROFIT AND LOSS ACCOUNT Year ended 31 December 2002

	Note	2002 £'000	2001 £'000
TURNOVER	2	26,446	26,509
Cost of sales		(18,300)	(18,710)
GROSS PROFIT		8,146	7,799
Administrative expenses		(3,941)	(1,729)
OPERATING PROFIT	3	4,205	6,070
Interest payable and similar charges	5	(332)	(274)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		3,873	5,796
Tax on profit on ordinary activities	6	(1,010)	(1,568)
PROFIT FOR THE FINANCIAL YEAR		2,863	4,228
Dividends	7	(2,000)	(2,000)
RETAINED PROFIT FOR THE FINANCIAL YEAR		863	2,228
Retained profit brought forward		5,043	2,815
Retained profit carried forward		5,906	5,043

All results derive from continuing operations.

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

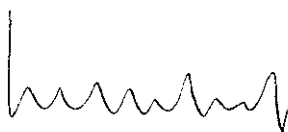
BALANCE SHEET 31 December 2002

	Note	2002 £'000	2001 £'000 Restated
FIXED ASSETS			
Intangible assets	8	1,536	1,618
Tangible assets	9	24,491	22,740
		<u>26,027</u>	<u>24,358</u>
CURRENT ASSETS			
Debtors: amounts due within one year	11	518	5,904
Debtors: amounts due after more than one year	12	3,512	2,194
Cash at bank and in hand		1	1
		<u>4,031</u>	<u>8,099</u>
CREDITORS: amounts falling due within one year	13	<u>(12,442)</u>	<u>(16,194)</u>
NET CURRENT LIABILITIES		<u>(8,411)</u>	<u>(8,095)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>17,616</u>	<u>16,263</u>
PROVISIONS FOR LIABILITIES AND CHARGES	14	<u>(6,620)</u>	<u>(6,130)</u>
		<u>10,996</u>	<u>10,133</u>
CAPITAL AND RESERVES			
Called up share capital	15	5,090	5,090
Profit and loss account		5,906	5,043
EQUITY SHAREHOLDERS' FUNDS		<u>10,996</u>	<u>10,133</u>

These financial statements were approved by the Board of Directors on
Signed on behalf of the Board of Directors

27 June

2003.



H C Etheridge
Director

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.

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

Expenditure on landfill sites 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.

LINCWASTE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2002

1. ACCOUNTING POLICIES (continued)

Restoration and after-care costs

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 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 stated after charging:		
Depreciation and other amounts written off tangible fixed assets - owned	3,055	1,387
Amortisation of goodwill	82	28
Operating leases:		
Other	142	18
Hired plant and machinery	183	120
Auditors remuneration:		
Audit	-	20
Other	-	5

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

The following item, which is considered to be exceptional, has been charged to operating profit in the period.

Depreciation - inconsistencies in relation to prior years	210	-
Provision against planning costs	700	-
Impairment adjustment to fixed assets	560	-

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2002

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 (2001: 1).

Average number of persons employed by the company in the year	2002 No	2001 No
Site operatives	45	45
Administration	8	10
Directors	4	4
	<u>57</u>	<u>59</u>

Staff costs incurred during the year in respect of these employees were	2002 £'000	2001 £'000
Wages and salaries	1,093	1,013
Social security costs	94	85
Other pension costs	38	32
	<u>1,225</u>	<u>1,130</u>

Directors interests

Share options	
At 31 December 2002	At 1 January 2002

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	30,000
C A Carr	82,766	82,766
G P Knott	36,248	36,248
M Stewart	29,836	29,836
	<u>188,850</u>	<u>188,850</u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2002 £'000	2001 £'000
Unwinding of discount (note 14)	<u>332</u>	<u>274</u>

LINCWASTE LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2002

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	732	1,610
Adjustments in respect of prior years	-	(42)
Total current tax charge	732	1,568
Deferred tax		
Timing differences, origination and reversal	278	-
Tax on profit on ordinary activities	1,010	1,568

The total current tax charge for both the current and previous year are less 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	3,873	5,796
Tax on profit on ordinary activities at standard rate	1,162	1,739
Factors affecting charge:		
Expenses not deductible for tax purposes	828	367
Group loss relief claimed	(603)	-
Depreciation in excess of capital allowances	140	(28)
Utilisation of general provisions	(455)	48
Amortisation of goodwill	25	8
Site preparation relief	(365)	(524)
Adjustments in respect of prior years	-	(42)
	732	1,568

7. DIVIDENDS

	2002 £'000	2001 £'000
On equity shares		
Final dividend paid of 39.3p per share (2001: 39.3p)	2,000	2,000

LINCWASTE LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2002

8. INTANGIBLE FIXED ASSETS

	Goodwill £'000
Cost	
At 1 January 2002 and at 31 December 2002	1,646
Amortisation	
At 1 January 2002	28
Charge for the year	82
At 31 December 2002	110
Net book value	
At 31 December 2002	1,536
At 31 December 2001	1,618

9. TANGIBLE FIXED ASSETS

	Freehold Landfill sites £'000	Plant & machinery £'000	Motor vehicles £'000	Total £'000
Cost				
At 1 January 2002	27,051	2,668	150	29,869
Additions	5,346	33	-	5,379
Disposals	-	(31)	-	(31)
At 31 December 2002	32,397	2,670	150	35,217
Depreciation				
At 1 January 2002	5,345	1,738	46	7,129
Charge for the year	2,800	219	36	3,055
Impairment adjustments	-	560	-	560
Eliminated on disposals	-	(18)	-	(18)
At 31 December 2002	8,145	2,499	82	10,726
Net book value				
At 31 December 2002	24,252	171	68	24,491
At 31 December 2001	21,706	930	104	22,740

10. INVESTMENTS

The company holds a £1 share (constituting a 50% shareholding) in Energyline 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 2002

11. DEBTORS: amounts due within one year

	2002 £'000	2001 £'000
Trade debtors	-	4,607
Amounts owed by parent undertaking	122	122
Amounts owed by other group undertakings	396	490
Prepayments and accrued income	-	685
	<u>518</u>	<u>5,904</u>

12. DEBTORS: amounts due after more than one year

	2002 £'000	2001 £'000 Restated
Prepayments and accrued income	<u>3,512</u>	<u>2,194</u>

The comparative has been restated by £2,194,000 (note 14).

13. CREDITORS: amounts falling due within one year

	2002 £'000	2001 £'000
Bank overdraft	2,162	7,389
Trade creditors	-	1,406
Amounts owed to ultimate parent undertaking	3,002	-
Amounts owed to other group undertakings	6,341	388
Corporation tax	732	3,002
Other taxes and social security	-	1,299
Other creditors	-	49
Accruals and deferred income	205	2,661
	<u>12,442</u>	<u>16,194</u>

14. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred taxation £'000	Landfill restoration £'000	Landfill aftercare £'000	Total £'000
At 1 January 2002	-	1,482	2,454	3,936
Restatement (see below)	-	2,194	-	2,194
At 1 January 2002 (as restated)	-	3,676	2,454	6,130
Charge to profit and loss account	278	-	186	464
Expended in the year	-	(300)	(6)	(306)
Unwinding of discount (see note 5)	-	160	172	332
At 31 December 2002	<u>278</u>	<u>3,536</u>	<u>2,806</u>	<u>6,620</u>

The directors have concluded that a more appropriate presentation of payments in respect of restoration costs is to reclassify these payments as prepayments rather than to offset them against restoration provisions, to better reflect the nature of the restoration obligations. The restatement has resulted in a reclassification of £2,194,000 from provisions into prepayments due after more than one year. The restatement has no effect on the reported profits for the current or prior years.

LINCWASTE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2002

14. PROVISIONS FOR LIABILITIES AND CHARGES (continued)

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	2001	2002	2001
	£'000	£'000	£'000	£'000
Capital allowances in excess of depreciation	(38)	-	-	43
Short term timing differences	316	-	(489)	(913)
	<u>278</u>	<u>-</u>	<u>(489)</u>	<u>(870)</u>

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

15. CALLED UP SHARE CAPITAL

	2002	2001
	£'000	£'000
Authorised:		
6,000,000 ordinary shares of £1 each	<u>6,000</u>	<u>6,000</u>
Allotted, called up and fully paid:		
5,089,900 ordinary shares of £1 each	<u>5,090</u>	<u>5,090</u>

16. CONTINGENT LIABILITIES

- The company has entered into unlimited cross-guarantees with its bankers relating to the borrowings of other group companies. At 31 December 2002 the bank borrowings of other group companies amounted to £26,058,000 (2001: £40,874,000).
- 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. CAPITAL COMMITMENTS

	2002	2001
	£'000	£'000
Contracted for at 31 December	<u>1,242</u>	<u>575</u>

18. OPERATING LEASE COMMITMENTS

At 31 December 2002 the company had the following annual commitments in respect of operating leases:

	Land & Buildings	Other	Land & Buildings	Other
	2002	2002	2001	2001
	£'000	£'000	£'000	£'000
Operating leases which expire:				
Within one year	19	-	18	2
In the second to fifth years inclusive	-	22	-	-
In over five years	5	-	120	-
	<u>24</u>	<u>22</u>	<u>138</u>	<u>2</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2002

19. 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	11	8
LAWDC pension scheme	27	24
	<u>38</u>	<u>32</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.

20. 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.

21. ULTIMATE PARENT COMPANY

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

The ultimate parent company of Lincwaste Limited 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.