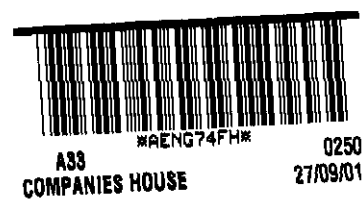


LINCWASTE LIMITED

Report and Financial Statements

31 December 2000



REPORT AND FINANCIAL STATEMENTS 2000

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

C A Carr
T C Walsh
W A Trendell
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 & Co
Fairstead House
7 Bury Road
Thetford
Norfolk
IP24 3PL

AUDITORS

Deloitte & Touche
Chartered Accountants
10-12 East Parade
Leeds
LS1 2AJ

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2000.

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.

RESULTS AND DIVIDENDS

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

A dividend payment of £1,800,000 has been made during the year (1999 - £1,800,000) and thus £1,871,000 (1999 - £492,000) 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	
W A Trendell	
J M Huntington	(resigned 4 April 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.

J M Huntington and W A Trendell are directors of the company's parent company, Waste Recycling Group plc. Their interests in the share capital of Waste Recycling Group plc are disclosed in the financial statements of that company.

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

CHARITABLE AND POLITICAL DONATIONS

During the year the company made donations to charities of £1,940 (1999- £2,275). The company has also contributed £928,373 (1999- £782,000) 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

3 September 2001

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



WA Trendell
Director

3 September 2001



**Deloitte
& Touche**

LINCWASTE LIMITED

AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 5 to 12 which have been prepared under the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements, which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

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 2000 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

19 September 2001

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2000

	Note	2000 £'000	1999 £'000
TURNOVER	2	23,154	10,959
Cost of sales		(16,267)	(6,481)
GROSS PROFIT		6,887	4,478
Administrative expenses		(1,134)	(880)
OPERATING PROFIT	3	5,753	3,598
Interest payable and similar charges	5	(172)	(160)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		5,581	3,438
Tax on profit on ordinary activities	6	(1,910)	(1,146)
PROFIT FOR THE FINANCIAL YEAR		3,671	2,292
Dividends	7	(1,800)	(1,800)
RETAINED PROFIT FOR THE FINANCIAL YEAR		1,871	492
Retained profit brought forward		944	452
Retained profit carried forward		2,815	944

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.

BALANCE SHEET
31 December 2000

	Note	2000 £'000	1999 £'000
FIXED ASSETS			
Tangible assets	8	17,240	13,330
CURRENT ASSETS			
Debtors	10	5,466	3,468
Cash at bank and in hand		2	1
		5,468	3,469
CREDITORS: amounts falling due within one year	11	(13,954)	(10,157)
NET CURRENT LIABILITIES		(8,486)	(6,668)
TOTAL ASSETS LESS CURRENT LIABILITIES		8,754	6,642
PROVISIONS FOR LIABILITIES AND CHARGES	12	(849)	(608)
		7,905	6,034
CAPITAL AND RESERVES			
Called up share capital	13	5,090	5,090
Profit and loss account		2,815	944
EQUITY SHAREHOLDERS' FUNDS		7,905	6,034

These financial statements were approved by the Board of Directors on 3 September 2001.

Signed on behalf of the Board of Directors



WA Trendell
Director

NOTES TO THE FINANCIAL STATEMENTS**Year ended 31 December 2000****1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Cash flow exemption

The company has taken advantage of the exemption, conferred by Financial Reporting Standard 1 (Revised), from presenting a cash flow statement as it is a wholly owned subsidiary of a group which prepares a consolidated cash flow statement.

Turnover

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

Fixed assets and depreciation

Tangible fixed assets are shown at cost.

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

Landfill sites	- over the expected life of each site
Plant and machinery	- 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.

The introduction of Financial Reporting Standard Number 15 "Tangible Fixed Assets" has had no impact on current or prior year reported profits.

Finance leases

In respect of each finance lease the cost of the asset is capitalised and the cost, less residual value of the asset, is depreciated over the term of the lease. Rentals payable are apportioned between finance charge and leasing commitment. The total finance charge is allocated to accounting periods over the term of the lease at a constant periodic rate of charge on the remaining leasing commitments for each accounting period.

All other leases are 'operating leases' and the relevant annual rentals are charged to the profit and loss account on a straight line basis over the lease term.

Pensions

Certain employees of the company are members of the Local Authority Waste Disposal (LAWDC's) Pension Scheme in which Lincwaste Limited is a participating employer. This scheme provides benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company.

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 effects 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2000

2. TURNOVER

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

3. OPERATING PROFIT

	2000	1999
	£'000	£'000
Operating profit is stated after charging:		
Audit Fee	18	9
Depreciation and other amounts written off tangible fixed assets:		
Owned	1,323	964
Leased	-	38
Operating leases:		
Land and buildings	18	18
Hired plant and machinery	201	215
	<u>2000</u>	<u>1999</u>

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2000	1999
	£'000	£'000
Emoluments of non group directors		
Remuneration	83	98
Pension contributions	10	9
	<u>93</u>	<u>107</u>

No director of Waste Recycling Group plc received remuneration or other benefits through Lincwaste Limited during the year.

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 (1999- 1).

	Share options	
	At 1 January 2000	At 31 December 2000
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

TC Walsh	27,862	49,761
CA Carr	34,793	93,177
	<u>27,862</u>	<u>49,761</u>

Average number of persons employed by the company in the year	2000	1999
	No	No
Site operatives	51	27
Administration	6	3
Directors	4	3
	<u>61</u>	<u>33</u>

	2000	1999
	£'000	£'000
Staff costs incurred during the year in respect of these employees were		
Wages and salaries	1,185	525
Social security costs	93	42
Other pension costs	25	28
	<u>1,303</u>	<u>595</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2000

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2000 £'000	1999 £'000
Finance leases	-	2
Bank overdraft	4	-
Unwinding of discount	168	158
	<u>172</u>	<u>160</u>

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2000 £'000	1999 £'000
UK corporation tax at 30% (1999- 30%) on the profit for the year on ordinary activities	1,910	1,534
Adjustments to prior year - corporation tax	-	(631)
- group relief	-	174
- deferred tax	-	69
	<u>1,910</u>	<u>1,146</u>

The tax charge is higher than the normal rate due to depreciation of landfill sites which is not deductible for tax purposes.

7. DIVIDENDS

	2000 £'000	1999 £'000
On equity shares		
Final dividend paid of 35.4p per share (1999- 35.4p)	1,800	1,800

8. TANGIBLE FIXED ASSETS

	Freehold property £'000	Plant & machinery £'000	Motor vehicles £'000	Total £'000
Cost				
At 1 January 2000	15,465	2,306	80	17,851
Additions	5,061	418	348	5,827
Disposals	-	(372)	(293)	(665)
At 31 December 2000	<u>20,526</u>	<u>2,352</u>	<u>135</u>	<u>23,013</u>
Depreciation				
At 1 January 2000	3,033	1,438	50	4,521
Charge for the year	1,148	135	40	1,323
Eliminated on disposals	-	(25)	(46)	(71)
At 31 December 2000	<u>4,181</u>	<u>1,548</u>	<u>44</u>	<u>5,773</u>
Net book value				
At 31 December 2000	<u>16,345</u>	<u>804</u>	<u>91</u>	<u>17,240</u>
At 31 December 1999	<u>12,432</u>	<u>868</u>	<u>30</u>	<u>13,330</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2000

8. TANGIBLE FIXED ASSETS (continued)

Included in the total net book value of plant and machinery is £Nil (1999- £13,350) in respect of assets held under finance leases.

9. INVESTMENTS

The company holds a £1 share (constituting a 50% shareholding) in Energyline Limited, a dormant subsidiary 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.

10. DEBTORS

	2000 £'000	1999 £'000
Trade debtors	3,860	2,455
Amounts owed by group undertakings	945	142
Other debtors	282	686
Prepayments and accrued income	379	185
	<u>5,466</u>	<u>3,468</u>

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2000 £'000	1999 £'000
Bank overdraft	8,686	5,864
Obligations under finance leases	-	20
Trade creditors	1,154	1,036
Amounts owed to parent undertaking	39	95
Amounts owed to other group undertakings	397	494
Corporation tax	2,649	1,854
Other taxes and social security	603	256
Accruals and deferred income	426	538
	<u>13,954</u>	<u>10,157</u>

The bank borrowings are secured by a debenture over certain of the group's assets.

12. PROVISIONS FOR LIABILITIES AND CHARGES

	Restoration and after-care £'000
At 1 January 2000	608
Transfer from profit and loss account	73
Unwinding of discount	168
	<u>849</u>
At 31 December 2000	

The amount of unprovided deferred taxation is set out below:

	2000 £'000	1999 £'000
Capital allowances in excess of depreciation	15	(9)
Short term timing differences	434	508
	<u>449</u>	<u>499</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2000

13. CALLED UP SHARE CAPITAL

	2000 £'000	1999 £'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	5,090	5,090

14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2000 £'000	1999 £'000
Profit for the financial year	3,671	2,292
Dividends	(1,800)	(1,800)
Net addition to shareholders' funds	1,871	492
Opening shareholders' funds	6,034	5,542
Closing shareholders' funds	7,905	6,034

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 £22,895,000 (1999- £12,154,000) at 31 December 2000.
- 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

	2000 £'000	1999 £'000
Contracted for	502	1,770

17. OPERATING LEASE COMMITMENTS

At 31 December 2000 the company was committed to making the following payments during the next year in respect of operating leases.

	Land & Buildings 2000 £'000	Other 2000 £'000	Land & Buildings 1999 £'000	Other 1999 £'000
Operating leases which expire:				
In the second to fifth years inclusive	18	10	18	-
In over five years	120	-	-	-
	138	10	18	-

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2000**18. PENSION SCHEME**

Certain employees of the company are members of the LAWDC's Pension Scheme in which the company, along with fellow subsidiary undertakings, is a participating employer. The sections to which the subsidiary undertakings contributed were merged into a single section in April 2000. The company contributes to this scheme which provides benefits based on final pensionable pay, contributions being charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent actuarial report was prepared to 31 March 2000. This set out recommended contribution rates based on certain assumptions, the most significant of which related to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the differential of investment returns over salary increases would be 1.75% per annum and that present and future pensions would increase at the rate of 3% per annum. The market value of the scheme's assets at 31 March 2000 was £55,291,000. The scheme had an average funding level of 106% on the minimum funding requirement basis.

As recommended by the actuary, the company is making contributions at a rate of 12% of salaries. The scheme actuary has recommended a contribution of 16.5% from April 2001.

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

The contributions under this scheme amounted to £25,000 (1999- £29,500) during the year.

19. ULTIMATE PARENT COMPANY

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. The immediate controlling party is Herrington Limited.

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.