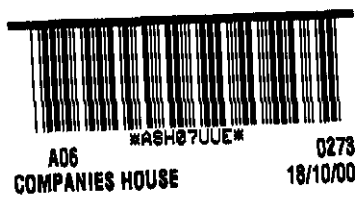


**LINCWASTE LIMITED**

**Report and Financial Statements**

**31 December 1999**



**REPORT AND FINANCIAL STATEMENTS 1999**

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**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

C A Carr  
T C Walsh  
J M Huntington  
W A Trendell

**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  
Leda House  
Station Road  
Cambridge CB1 2RN

## **DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the year ended 31 December 1999.

### **PRINCIPAL ACTIVITY**

The principal activity of the company is the handling, recycling and disposal of waste materials.

### **REVIEW OF DEVELOPMENTS**

The results of the company for the year are set out on page 5. In the opinion of the directors the company has traded satisfactorily during the year and profitability is expected to continue in the current year.

### **DIVIDENDS**

A dividend payment of £1,800,000 has been made during the year (1998 - £2,000,000).

### **DIRECTORS AND THEIR INTERESTS**

The directors who served during the year were as follows:

C A Carr  
T C Walsh  
J M Huntington (appointed 30 September 1999)  
W A Trendell (appointed 30 September 1999)  
S R Stuteley (resigned 30 September 1999)

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

JM Huntington and WA 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 £2,275 (1998 - £50). The company has also contributed £782,000 (1998 - £687,000) of its landfill tax liability to ENTRUST registered environmental bodies, as permitted by government regulations.

## **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.

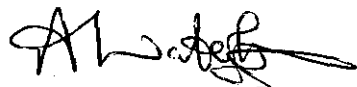
### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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



A Waterhouse  
Company Secretary

17 October 2000



## LINCWASTE LIMITED

### AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 5 to 13 which have been prepared under the accounting policies set out on pages 7 and 8.

#### Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. 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 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 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants and  
Registered Auditors

17 October 2000

**PROFIT AND LOSS ACCOUNT**  
**Year ended 31 December 1999**

	Note	1999 £'000	1998 £'000 *restated
<b>TURNOVER</b>	2	10,959	9,795
Cost of sales		(6,481)	(5,507)
<b>GROSS PROFIT</b>		4,478	4,288
Administrative expenses		(880)	(1,510)
<b>OPERATING PROFIT</b>	3	3,598	2,778
Interest payable and similar charges	5	(160)	(153)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		3,438	2,625
Tax on profit on ordinary activities	6	(1,146)	(1,340)
<b>PROFIT FOR THE FINANCIAL YEAR</b>		2,292	1,285
Dividends	7	(1,800)	(2,000)
<b>RETAINED PROFIT (LOSS) FOR THE FINANCIAL YEAR</b>		492	(715)
Retained profit brought forward		452	1,167
Retained profit carried forward		944	452

\*Restated to reflect the impact of FRS 12, see note 1.

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 1999

	Note	1999 £'000	1998 £'000 *restated
<b>FIXED ASSETS</b>			
Tangible assets	8	13,330	10,840
<b>CURRENT ASSETS</b>			
Debtors	10	3,468	3,527
Cash at bank and in hand		1	-
		3,469	3,527
<b>CREDITORS: amounts falling due Within one year</b>	11	(10,157)	(6,054)
<b>NET CURRENT LIABILITIES</b>		(6,668)	(2,527)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		6,642	8,313
<b>CREDITORS: amounts falling due after more than one year</b>	12	-	(16)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	13	(608)	(2,755)
		6,034	5,542
<b>CAPITAL AND RESERVES</b>			
Called up share capital	14	5,090	5,090
Profit and loss account		944	452
<b>EQUITY SHAREHOLDERS' FUNDS</b>		6,034	5,542

\*Restated to reflect the impact of FRS 12, see note 1.

These financial statements were approved by the Board of Directors on 17 October 2000.

Signed on behalf of the Board of Directors



W A Trendell

Director



**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 1999****1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable 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.

**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.

NOTES TO THE FINANCIAL STATEMENTS  
Year ended 31 December 1999

## 1. ACCOUNTING POLICIES (continued)

## Restoration costs and post closure monitoring

FRS 12 "Provisions, Contingent liabilities and Contingent Assets" published in September 1998, is mandatory for the company's financial statements for the year ended 31 December 1999. Comparative amounts have been restated accordingly. 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 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 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.

The implementation of FRS 12 increased tangible fixed assets and provisions by £1,042,000 at 1 January 1998 and by £1,176,000 at 1 January 1999. Had the previous accounting policy been applied in the current year the impact would have been to reduce reported tangible fixed assets by £1,142,000 at 31 December 1999. There is no impact on retained earnings at 1 January 1998 or on the reported profits for the current or preceding financial years, as the results are not materially different. To give a consistent presentation the element of the provision movement relating to inflation and discount amounting to £134,000 in the year ended 31 December 1998 has been reclassified in the profit and loss account from cost of sales to 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

	1999 £'000	1998 £'000
<b>Operating profit is after charging:</b>		
Auditors' remuneration:		
Audit	9	10
Depreciation and other amounts written off tangible fixed assets:		
Owned	964	697
Leased	38	156
Operating leases - land and buildings	18	18
- hired plant and machinery	215	157

# NOTES TO THE FINANCIAL STATEMENTS

## Year ended 31 December 1999

### 4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

Emoluments of non group directors	1999 £'000	1998 £'000
Remuneration	98	109
Pension contributions	9	38
Compensation for loss of office	-	60
	<u>107</u>	<u>207</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 (1998 – nil).

#### Directors interests

#### Share options

	At 1 January 1999	At 31 December 1999
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	26,225	27,862
CA Carr	<u>32,750</u>	<u>34,793</u>

Average number of persons employed by the company in the year:	1999 No	1998 No
Site operatives	27	24
Administration	3	5
Directors	3	4
	<u>33</u>	<u>33</u>

Staff costs incurred during the year in respect of these employees were:	1999 £'000	1998 £'000
Wages and salaries	525	658
Social security costs	42	46
Other pension costs	28	16
	<u>595</u>	<u>720</u>

### 5. INTEREST PAYABLE AND SIMILAR CHARGES

	1999 £'000	1998 £'000 *restated
Finance leases	2	19
Unwinding of discount	<u>158</u>	<u>134</u>
	<u>160</u>	<u>153</u>

\* Restated to reflect the impact of FRS 12, see note 1.

NOTES TO THE FINANCIAL STATEMENTS  
Year ended 31 December 1999

## 6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1999 £'000	1998 £'000
UK corporation tax at 30.25% (1998 – 31%) on the profit for the year on ordinary activities	1,077	1,116
Deferred taxation	69	(69)
	<u>1,146</u>	<u>1,047</u>
Under (over) provision in prior year -corporation tax	-	293
	<u>1,146</u>	<u>1,340</u>

The tax charge is in excess of the standard rate of 30.25%. A significant proportion of this excess is due to depreciation of landfill sites which is not deductible for tax purposes.

## 7. DIVIDENDS

	1999 £'000	1998 £'000
On equity shares		
Dividend paid of 35.4p per share (1998 – 39.3p)	<u>1,800</u>	<u>2,000</u>

## 8. TANGIBLE FIXED ASSETS

	Freehold property £'000 *restated	Plant and machinery £'000	Motor vehicles £'000	Total £'000 *restated
<b>Cost</b>				
At 1 January 1999	12,676	1,568	177	14,421
Additions	2,789	747	-	3,536
Disposals	-	(9)	(97)	(106)
At 31 December 1999	<u>15,465</u>	<u>2,306</u>	<u>80</u>	<u>17,851</u>
<b>Depreciation</b>				
At 1 January 1999	2,218	1,301	62	3,581
Charge for the year	815	146	41	1,002
Eliminated on disposals	-	(9)	(53)	(62)
At 31 December 1999	<u>3,033</u>	<u>1,438</u>	<u>50</u>	<u>4,521</u>
<b>Net book value</b>				
At 31 December 1999	<u>12,432</u>	<u>868</u>	<u>30</u>	<u>13,330</u>
At 31 December 1998	<u>10,458</u>	<u>267</u>	<u>115</u>	<u>10,840</u>

\*Restated to reflect the impact of FRS 12. The cost of freehold property at 1 January 1999 was previously reported as £11,500,000.

Included in the total net book value of plant and machinery is £13,350 (1998 - £50,934) in respect of assets held under finance leases.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 1999

## 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

	1999 £'000	1998 £'000
Trade debtors	2,455	1,565
Amounts owed by group undertakings	142	1,805
Other debtors	686	-
Prepayments and accrued income	185	157
	<u>3,468</u>	<u>3,527</u>

## 11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1999 £'000	1998 £'000
Bank overdraft	5,864	1,575
Obligations under finance leases	20	74
Trade creditors	1,036	712
Amounts owed to parent undertaking	95	-
Amounts owed to other group undertakings	494	909
Corporation tax	1,854	1,557
Other taxes and social security	256	400
Other creditors	-	39
Accruals and deferred income	538	788
	<u>10,157</u>	<u>6,054</u>

## 12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	1999 £'000	1998 £'000
Obligations under finance leases	-	16

The obligations under finance leases are repayable in instalments as follows:

	1999 £'000	1998 £'000
Within one year	20	74
Between one and two years	-	16
	<u>20</u>	<u>90</u>

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 1999

## 13. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred taxation £'000	Restoration and after-care £'000 *restated	Total £'000
At 1 January 1999	(69)	2,824	2,755
Transfer from profit and loss account	69	61	130
Unwinding of discount	-	158	158
Expended in year	-	(2,435)	(2,435)
At 31 December 1999	-	608	608

\*Restated to reflect the impact of FRS 12, see note 1. The balance at 1 January 1999 was previously reported as £1,648,000.

The amounts provided for deferred taxation, which represent the full potential liability, are set out below:

	1999 £'000	1998 £'000
Short term timing differences	69	(69)

## 14. CALLED UP SHARE CAPITAL

	1999 £'000	1998 £'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

## 15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1999 £'000	1998 £'000
Profit for the financial year	2,292	1,285
Dividends	(1,800)	(2,000)
Net addition/(reduction) to shareholders' funds	492	(715)
Opening shareholders' funds	5,542	6,257
Closing shareholders' funds	6,034	5,542

## 16. CONTINGENT LIABILITIES

- a) The company has entered into unlimited cross-guarantees with its bankers relating to the borrowings of other group companies, amounting to £12,154,000 (1998 - £1,458,000) at 31 December 1999
- 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

# NOTES TO THE FINANCIAL STATEMENTS

## Year ended 31 December 1999

### 17. CAPITAL COMMITMENTS

	1999 £'000	1998 £'000
Authorised and contracted	<u>1,770</u>	<u>559</u>

### 18. OPERATING LEASE COMMITMENTS

At 31 December 1999 the company was committed to making the following payments during the next year in respect of operating leases.

	1999 £'000	1998 £'000
Land and buildings		
Operating leases which expire: In the second to fifth years inclusive	<u>18</u>	<u>18</u>

### 19. PENSION SCHEME

Certain employees of the company are members of the LAWDC's Pension Scheme in which the company is a participating employer. 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 1997. 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 4.5% to 5% per annum. The market value of the scheme's assets at 31 March 1997 was £11,599,000 (£193,000 being attributable to the company), representing a funding level of 128%. Contributions have been paid in accordance with the recommendations.

As recommended by the actuary, the company will make future contributions at a rate of 12.3% of pensionable pay.

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

The contributions under this scheme amounted to £28,000 (1998 - £16,000) during the year.

### 20. 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 Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ. The immediate controlling party is Herrington Limited.

### 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.