

WasteNotts (Reclamation) Limited

Directors' report and financial
statements

Registered number 2674169

31 December 2003



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Statutory information

Directors

JR Meredith
LJD Cassells
SN Hardman

Company secretary

A Waterhouse

Registered office

3 Sidings Court
White Rose Way
Doncaster
DN4 5NU

Auditors

KPMG LLP
1 Puddle Dock
London
EC4V 3PD

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2003.

Principal activities

The principal activities of the company continued to be waste disposal by incineration and the provision of steam for district heating and power generation.

Review of developments and future prospects

The result for the year was in line with directors' expectations and trading at current levels is anticipated for the foreseeable future.

On 29 July 2003, the company's ultimate parent company and controlling party changed as a result of the acquisition of the entire issued share capital of Waste Recycling Group plc by Cholet Acquisitions Limited. The directors now consider that Terra Firma Capital Partners Holdings Limited is the company's ultimate controlling party and ultimate parent entity.

Results and dividends

The result for the year is set out on page 5. The directors do not recommend the payment of a dividend (2002: £nil) and thus £1,929,000 has been transferred to reserves.

Directors and their interests

The directors who held office during the year were as follows:

ID Dickinson	(resigned 31 July 2003)
HC Etheridge	(resigned 31 July 2003)
AF Foster	(resigned 31 January 2003)
NDA Sandy	(resigned 31 July 2003)
RS Tomlinson	(resigned 31 July 2003)
QR Stewart	(appointed 31 July 2003, resigned 30 September 2003)
PW Burns	(appointed 31 July 2003, resigned 30 September 2003)
R Prior	(appointed 8 September 2003, resigned 15 January 2004)
JR Meredith	(appointed 8 September 2003)
LJD Cassells	(appointed 15 January 2004)
SN Hardman	(appointed 16 August 2004)

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

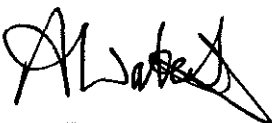
Charitable and political donations

No political or charitable donations were made during the year (2002: £nil).

Auditors

On 31 July 2003, Deloitte & Touche resigned as auditor to the company. On 31 July 2003 KPMG LLP were appointed by the directors in their place to fill the casual vacancy.

By order of the board



A Waterhouse
Company Secretary

25 October 2004

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 and of the profit or loss 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, subject to any material departures disclosed and explained in the financial statements;
- 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG LLP

1 Puddle Dock
London
EC4V 3PD
United Kingdom

Report of the independent auditors to the members of Wastenotts (Reclamation) Limited

We have audited the financial statements on pages 5 to 12.

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 auditor's 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

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 to you 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.

Basis of audit 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 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

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KPMG LLP
Chartered Accountants
Registered Auditor

26 October 2004

Profit and loss account
year ended 31 December 2003

	<i>Note</i>	2003 £000	2002 £000
Turnover	2	5,382	6,182
Cost of sales		(3,632)	(3,507)
Gross profit		1,750	2,675
Administrative expenses		(374)	(261)
Operating profit	3	1,376	2,414
Interest payable and similar charges	5	(507)	(531)
Profit on ordinary activities before taxation		869	1,883
Tax on profit on ordinary activities	6	1,060	(2,472)
Profit/(loss) for the financial year		1,929	(589)
Retained profit brought forward		285	874
Retained profit carried forward		2,214	285

All results are derived from continuing operations.

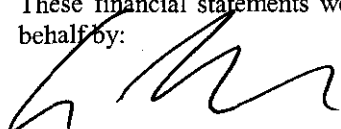
There are no recognised gains and losses in either the current or previous financial year other than as stated in the profit and loss account. Therefore, no separate statement of total recognised gains and losses has been presented.

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.

Balance sheet
at 31 December 2003

	<i>Note</i>	2003 £000	2002 £000
Fixed assets			
Tangible assets	7	7,775	8,597
Current assets			
Debtors	8	8,623	7,227
Cash at bank and in hand		54	52
Creditors: amounts falling due within one year	9	8,677 (674)	7,279 (1,290)
Net current assets		8,003	5,989
Total assets less current liabilities		15,778	14,586
Creditors: amounts falling due after more than one year	10	(5,189)	(5,545)
Provisions for liabilities and charges	11	(2,079)	(2,460)
Net assets		8,510	6,581
Capital and reserves			
Called up share capital	12	6,296	6,296
Profit and loss account		2,214	285
Equity shareholders' funds		8,510	6,581

These financial statements were approved by the board of directors on 25 October 2004 and were signed on its behalf by:



LJD Cassells
Director

Notes

(forming part of the financial statements)

1 Accounting policies

These 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 has prepared a consolidated cash flow statement.

Related party transactions

As the company is a wholly owned subsidiary of Cholet Holdings Limited, the company has taken advantage of the exemption contained in FRS8 and has therefore not disclosed transactions or balances with entities that form part of the group. The consolidated financial statements of Cholet Holdings Limited, within which this company is included, can be obtained from the address given in note 16.

Turnover

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

Tangible fixed assets

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

Freehold buildings	- over 25 to 50 years
Leased assets	- over the term of the lease
Plant and equipment	- over 3 to 20 years

Pensions

The company participates in the defined contribution schemes operated by Waste Recycling Group Limited 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.

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised with discounting in respect of all timing differences between the treatment of certain items of taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS19.

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 charges and leasing commitment. The total finance charge is allocated to accounting period over the term of the lease at a constant periodic rate of charge on the remaining lease commitments for each accounting period.

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

Notes (continued)

2 Turnover

All turnover was generated in the United Kingdom principally from receiving, treating, recycling and disposing of waste materials which the directors consider to be a single business segment.

3 Operating profit

	2003 £000	2002 £000
Operating profit is stated after charging:		
Depreciation – owned assets	705	397
Depreciation – leased assets	249	249
Operating lease rentals – plant and machinery	5	13
	<u> </u>	<u> </u>

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

4 Information regarding directors and employees

	2003 £000	2002 £000
Staff costs incurred in respect of employees below:		
Wages and salaries	58	69
Social security costs	4	5
Other pension costs	5	8
	<u> </u>	<u> </u>
	67	82
	<u> </u>	<u> </u>
	No.	No.
The average weekly number of employees (excluding directors) during the year was:		
Operational	4	4
	<u> </u>	<u> </u>

5 Interest payable and similar charges

	2003 £000	2002 £000
Finance leases	507	531
	<u> </u>	<u> </u>

Notes (continued)

6 Taxation

	2003 £000	2002 £000
UK Corporation tax		
United Kingdom corporation tax at 30% (2002: 30%) based on profits for the year	-	679
Adjustments in respect of prior periods	(679)	-
	<hr/>	<hr/>
Total current tax charge	(679)	679
Deferred tax		
Timing differences, origination and reversal	(381)	1,793
	<hr/>	<hr/>
Tax on profit on ordinary activities	(1,060)	2,472
	<hr/>	<hr/>

The total current tax charge for the current year is less than (2002: *greater than*) the standard rate of 30% for the reasons set out in the following reconciliation:

	2003 £000	2002 £000
Profit on ordinary activities before tax	869	1,883
	<hr/>	<hr/>
Tax on profit on ordinary activities at standard rate	261	565
Factors affecting charge:		
Group loss relief surrendered	(374)	-
Depreciation in excess of capital allowances	113	114
Adjustments in respect of prior periods	(679)	-
	<hr/>	<hr/>
	(679)	679
	<hr/>	<hr/>

Notes (continued)

7 Tangible fixed assets

	Other property £000	Plant and machinery £000	Total £000
Cost			
At beginning of year	-	15,709	15,709
Additions	-	202	202
Disposals	-	(426)	(426)
Transfers between group companies/reclassifications	15,110	(14,932)	178
	<hr/>	<hr/>	<hr/>
At end of year	15,110	553	15,663
	<hr/>	<hr/>	<hr/>
Depreciation			
At beginning of year	-	7,112	7,112
Charge for year	888	66	954
On disposals	-	(24)	(24)
Transfers between group companies/reclassifications	6,876	(7,029)	(153)
	<hr/>	<hr/>	<hr/>
At end of year	7,764	125	7,889
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 December 2003	7,346	428	7,775
	<hr/>	<hr/>	<hr/>
At 31 December 2002	-	8,597	8,597
	<hr/>	<hr/>	<hr/>

The net book value of leased refurbishment includes £5,541,000 (2002: £5,790,000) in respect of assets held under finance leases. The depreciation charged on these assets during the year was £249,000 (2002: £249,000).

8 Debtors

	2003 £000	2002 £000
Amounts due from fellow group undertakings	8,623	7,227
	<hr/>	<hr/>

Notes (continued)

9 Creditors: amounts falling due within one year

	2003 £000	2002 £000
Obligations under finance leases	353	290
Amounts due to group	321	321
Corporation tax	-	679
	<u>674</u>	<u>1,290</u>

10 Creditors: amounts falling due after more than one year

	2003 £000	2002 £000
Obligations under finance leases	5,189	5,545
Split between due in:		
One to two years	421	352
Two to five years	1,745	1,496
After five years	3,023	3,697
	<u>5,189</u>	<u>5,545</u>
Included within creditors due in less than one year (note 9)	353	290
	<u>5,542</u>	<u>5,835</u>

Obligations under finance leases are secured by related assets.

11 Provisions for liabilities and charges

	Provided 2003 £000	2002 £000	Unprovided 2003 £000	2002 £000
Deferred taxation				
At 1 January 2003	2,460	667	-	-
(Credit)/charge in year	(381)	1,793	-	-
	<u>2,079</u>	<u>2,460</u>	<u>-</u>	<u>-</u>
At 31 December 2003	2,079	2,460	-	-
Deferred tax comprises:				
Accelerated capital allowances	2,079	2,460	-	-

Notes (continued)

12 Called up share capital

	2003 £	2002 £
<i>Authorised</i>		
7,000,000 ordinary shares of £1 each	7,000,000	7,000,000
	<hr/>	<hr/>
<i>Called up, allotted and fully paid</i>		
6,295,500 ordinary shares of £1 each	6,295,000	6,295,500
	<hr/>	<hr/>

13 Pension contributions

The company participates in the defined contribution schemes operated by Waste Recycling Group Ltd on behalf of its eligible employees. The assets of these schemes are held separately from those of the company in independently administered funds. The contributions by the company to the schemes in the year amounted to £5,000 (2002: £8,000).

14 Contingent liabilities

- a) The company has entered into unlimited cross-guarantees with its bankers relating to the borrowings of other group companies.
- 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.

15 Related party transactions

In the ordinary course of business, the company has also traded with fellow subsidiaries of Cholet Holdings Limited. The company has taken advantage of the exemption conferred by FRS8.

16 Ultimate parent company

The company's immediate parent undertaking is Waste Recycling Limited, a company registered in England and Wales.

The directors regard Terra Firma Capital Partners Holdings Limited, a company registered in Guernsey, as the ultimate controlling party and the ultimate parent entity.

Cholet Holdings Limited is the parent company of the largest group of which the company is a member and for which group accounts are drawn up. Cholet Investments Limited is the parent of the smallest group of which the company is a member and for which group accounts are drawn up. Copies of both sets of accounts are available from 3 Sidings Court, White Rose Way, Doncaster, DN4 5NU.