

**WasteNotts (Reclamation) Limited**  
**DIRECTORS' REPORT AND ACCOUNTS**  
**for the nine months ended**  
**31 December 1998**  
  
(Registered Number 2674169)



# **WasteNotts (Reclamation) Limited**

## **Directors' Report for the nine months ended 31 December 1998**

The Directors present their report and the audited financial statements for the nine months ended 31 December 1998.

### **Principal activities**

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

### **Review of business and future developments**

Both the level of business and the year end financial position were satisfactory, and the directors expect that the present level of activity will be sustained for the foreseeable future.

### **Post balance sheet event**

On 27 January 1999, Yorkshire Environmental Solutions Limited (*Yes*) transferred its shareholding in the company to Waste Recycling Group plc (WRG) as part of a merger of the Global Environmental division of *Yes* with WRG. In return, *Yes* received 46% of the enlarged share capital of WRG.

### **Change of Year end**

The company changed its year end to 31 December 1998 to be coterminous with that of WRG plc.

### **Dividends and transfers to reserves**

The profit after taxation for the nine months amounted to £1,448,000 (Year ended 31 March 1998: loss £21,000). The Directors do not recommend the payment of a dividend (Year ended 31 March 1998: £nil) and, therefore, £1,448,000 (Year ended 31 March 1998: loss £21,000) has been transferred to reserves.

### **Directors and their interests**

The Directors who served during the nine months were:

C Boyes	(resigned 31 August 1998)
TCA Diggle	(resigned 18 June 1998)
DM Ellis	
RS Tomlinson	
R Kelly	(appointed 18 June 1998 and resigned 10 February 1999)
WR Warnett	(appointed 18 June 1998 and resigned 5 March 1999)
TMH Barnes	(appointed 1 September 1998)

## **WasteNotts (Reclamation) Limited**

None of the directors had any interests in the shares of the company at 31 December 1998.

### **Year 2000**

Many computer systems store or process information using only the last two digits of the year and will, therefore, require modification or replacement in order to avoid malfunction and disruption from the year 2000 and beyond.

A wide ranging group assessment programme to identify risks associated with the year 2000 problem has been completed. Risks identified have been prioritised based on the impact of failure. Risks given high priority include protection of public health, business continuity and safety of employees. The group has comprehensive project plans in place to address the issues identified and is seeking to work towards the British Standard Institution BSI DISC PD 2000/1 definition of year 2000 conformity. The majority of systems and equipment will have been assessed, and modified or replaced, by December 1998. The project plans include confirming key customer and supplier compliance.

The costs of the Year 2000 project are to be borne by the group and no recharge is to be made to the company.

### **Employees**

It is company policy to keep employees informed of matters affecting their interests through normal management channels and due consideration is given to their interests in making management decisions.

The policy of the company with regard to the employment of disabled persons is to provide equal opportunities with other employees to train for, and attain, any position in the company having regard to the maintenance of a safe working environment and the constraints of their disabilities.

Close attention is given to the welfare of employees with particular regard to the requirements of health and safety legislation.

### **Political and charitable donations**

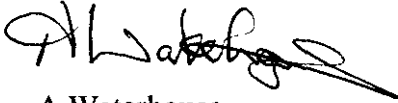
No political or charitable donations were made during the year.

# **WasteNotts (Reclamation) Limited**

## **Auditors**

A resolution will be proposed at the Annual General Meeting to appoint Deloitte & Touche as auditors of the company and to authorise the directors to determine their remuneration.

By Order of the Board



A Waterhouse  
Secretary  
29 September 1999

Registered Office:  
Manor Farm  
Bridgham  
Norfolk  
NR16 2RX

# **WasteNotts (Reclamation) Limited**

## **Directors' responsibilities**

The directors are required by UK company law to prepare financial statements for each financial period that give a true and fair view of the state of affairs of the company as at the end of the financial period and of the profit of the company for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the nine months ended 31 December 1998. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

# **WasteNotts (Reclamation) Limited**

## **Report of the auditors to the members of WasteNotts (Reclamation) Limited**

We have audited the financial statements on pages 6 to 19 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 to 10.

### **Respective responsibilities of directors and auditors**

As described on page 4 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 financial 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 an 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 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 1998 and of its profit for the nine months then ended and have been properly prepared in accordance with the Companies Act 1985.



**ERNST & YOUNG**

Registered Auditor

Leeds

29 September 1999

# WasteNotts (Reclamation) Limited

## Profit and loss account for the nine months ended 31 December 1998

		<b>Nine months ended 31 December 1998 £'000</b>	<b>Year Ended 31 March 1998 £'000</b>
	Notes		
<b>Turnover – continuing operations</b>	2	<b>4,798</b>	4,810
Operating costs	3	<b>(2,818)</b>	(4,257)
<b>Operating profit – continuing operations</b>		<b>1,980</b>	553
Net interest payable	4	<b>(382)</b>	(546)
<b>Profit on ordinary activities before taxation</b>		<b>1,598</b>	7
Tax on profit on ordinary activities	5	<b>(150)</b>	(28)
<b>Retained profit/(loss) for the financial period</b>	15	<b>1,448</b>	(21)

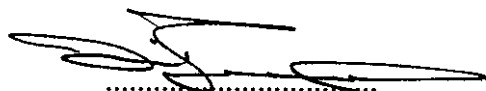
The company has no recognised gains and losses other than the profit and loss above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalents.

# WasteNotts (Reclamation) Limited

## Balance sheet at 31 December 1998

		31 December 1998 £'000	31 March 1998 £'000
	Notes		
<b>Fixed assets</b>			
Tangible assets	7	<b>11,881</b>	12,208
<b>Current assets</b>			
Debtors	8	<b>620</b>	2,072
Cash at bank and in hand		<b>3,154</b>	-
		<b>3,774</b>	2,072
<b>Creditors: amounts falling due within one year</b>			
Short-term borrowings	9	<b>(188)</b>	(98)
Other creditors	10	<b>(536)</b>	(667)
		<b>(724)</b>	(765)
<b>Net current assets</b>		<b>3,050</b>	1,307
<b>Total assets less current liabilities</b>		<b>14,931</b>	13,515
<b>Creditors: amounts falling due after more than one year</b>			
Long-term borrowings	11	<b>(6,424)</b>	(6,489)
<b>Provisions for liabilities and charges</b>	12	<b>(784)</b>	(751)
<b>Net assets</b>		<b>7,723</b>	6,275
<b>Capital and reserves</b>			
Called up share capital	14	<b>6,296</b>	6,296
Profit and loss account	15	<b>1,427</b>	(21)
<b>Equity shareholders' funds</b>		<b>7,723</b>	6,275



TMH Barnes  
29 September 1999

DIRECTOR



# **WasteNotts (Reclamation) Limited**

## **Notes to the financial statements for the nine months ended 31 December 1998**

### **1 Principal Accounting Policies**

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

#### **Basis of accounting**

The financial statements are prepared in accordance with the historical cost convention.

#### **Tangible fixed assets**

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal asset lives used for this purpose are:

Incinerator land and buildings	30
Incinerator plant	30
Leased incinerator refurbishment	30

#### **Cash Flow Statement**

At the year end the company was an ultimately owned subsidiary of Yorkshire Water plc, and consequently under the provision of Financial Reporting Standard No.1 (Revised 1996) it is exempt from presenting a cash flow statement. The cash flows are included within the consolidated cash flow statement of Yorkshire Water plc.

# **WasteNotts (Reclamation) Limited**

## **Finance and operating leases**

Costs in respect of operating leases are charged on a straight line basis over the lease term. Leasing agreements which transfer to the company substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of the equivalent owned assets.

## **Turnover**

Turnover, which excludes value added tax, represents the value of services supplied.

## **Landfill restoration and aftercare provisions**

Provision is made for the capping and restoration of landfill sites when the usable void space has been filled. The provisions are based on the directors' estimates of the future costs required to cap and restore the sites and are calculated on a site by site basis in accordance with the usage of the void space, similar to the method used for depreciation of landfill sites.

Provision is made for future potential liabilities in respect of the aftercare of landfill sites after they have been capped. The provision is made on the basis of an amount for each cubic metre of void space used which the directors estimate will build up a provision sufficient to cover foreseeable future liabilities.

The estimates used in the calculation of the provisions are subject to considerable uncertainty and are reviewed regularly by the directors. The effects of changes in such estimates are accounted for prospectively.

## **Capitalisation of Interest**

Within tangible fixed assets (note 7) is a leased refurbishment which contains an element of capitalised interest.

## **Deferred taxation**

No provision is made for deferred taxation unless there is a reasonable probability that a liability will occur in the foreseeable future. Deferred tax assets are carried forward to the extent that they are expected to be recoverable without replacement by equivalent assets.

# WasteNotts (Reclamation) Limited

## Pension

The cost of providing retirement pensions and related benefits is charged to the profit and loss account over the period benefiting from the employees' services.

## Related Party Transactions

The company is a wholly owned subsidiary of WasteNotts Limited whose accounts are available to the public. Consequently under the provisions of Financial Reporting Standard No. 8 it is exempt from reporting details of transactions and balances with that company. The ultimate controlling party at the year end was Yorkshire Water plc.

## 2 Segmental analysis

Turnover which consists entirely of sales made in the United Kingdom can be analysed as follows:

	<b>Nine months Ended 31 December 1998 £'000</b>	<b>Year ended 31 March 1998 £'000</b>
Third party	<b>4,781</b>	4,801
Inter-company	<b>17</b>	9
	<hr/> <b>4,798</b> <hr/>	<hr/> 4,810 <hr/>

# WasteNotts (Reclamation) Limited

## 3 Operating costs

	Nine months Ended 31 December 1998 £'000	Year Ended 31 March 1998 £'000
Wages and salaries	75	113
Social security costs	5	9
Other pension costs	7	11
Raw materials and consumables	592	877
Other external charges	1,808	2,808
Depreciation of owned assets	58	187
Depreciation of assets held under finance leases	269	249
	<hr/> 2,814 <hr/>	<hr/> 4,254 <hr/>
Auditors' remuneration		
Statutory audit fees and expenses	4	3
	<hr/>	<hr/>
Employees	Number	Number
The average weekly number of employees during the period was:	3	6
	<hr/>	<hr/>

# WasteNotts (Reclamation) Limited

## 4 Interest

	<b>Nine months Ended 31 December 1998 £'000</b>	<b>Year Ended 31 March 1998 £'000</b>
Interest payable on: Finance leases and hire purchase contracts	<b>(437)</b>	<b>(590)</b>
Interest payable	<b>(437)</b>	<b>(590)</b>
Interest receivable	<b>55</b>	<b>44</b>
Net interest receivable/(payable)	<b>(382)</b>	<b>(546)</b>

## 5 Taxation

	<b>Nine months Ended 31 December 1998 £'000</b>	<b>Year Ended 31 March 1998 £'000</b>
Corporation tax at 31% (Year ended 31 March 1998: 31%) on profit for year	<b>542</b>	-
ACT surrendered for nil consideration	<b>(350)</b>	-
Group relief surrendered to fellow subsidiary	-	(37)
(Over)/underprovision in previous year	<b>(42)</b>	<b>65</b>
	<b>150</b>	<b>28</b>

# WasteNotts (Reclamation) Limited

## 6 Pensions

The company participates in the Local Authority Waste Disposal Company Scheme (LAWDC) and the Yorkshire Water Group Personal Pension Plan as part of the WasteNotts group. The assets of the schemes are held separately from those of the company in independently administered funds. The total pension costs for the company for the year was £7,071.

The LAWDC scheme is a defined benefit scheme which was established on 1 July 1992. The pension costs are assessed in accordance with the advice of an independent actuary using the Attained Age Method of valuation. The valuation undertaken as at 31 March 1997 used the following assumptions; rate of investment return 8.75% per annum, rate of future salary increases 7% per annum and rate of pension increases 5% per annum (level 1 members) and 4.5% per annum (level 2 members). The value of the scheme at this date was £310,400 which represents a funding level of 69%. The advice of the actuary is that the deficiency of accumulated assets against accrued past service liabilities of £136,800 can be recovered over the remaining service lives of the existing members. The contributions of the company are 13% and employees are 5% (level 1 members) and 6% (level 2 members) respectively.

The Yorkshire Water Group Personal Pension Plan is a defined contribution scheme operated by Yorkshire Water plc.

## 7 Tangible fixed assets

	Incinerator plant and buildings £'000	Leased refurbishment £'000	Total £'000
<b>Cost</b>			
<b>At 1 April 1998 and 31 December 1998</b>	<b>7,055</b>	<b>8,055</b>	<b>15,110</b>
<b>Depreciation</b>			
At 1 April 1998	1,830	1,072	2,902
Charge for nine months	58	269	327
<b>At 31 December 1998</b>	<b>1,888</b>	<b>1,341</b>	<b>3,229</b>
<b>Net book value</b>			
<b>At 31 December 1998</b>	<b>5,167</b>	<b>6,714</b>	<b>11,881</b>
At 31 March 1998	5,225	6,983	12,208

# WasteNotts (Reclamation) Limited

The refurbishment, which is an asset held under a finance lease, includes the following items:

	<b>31 December 1998 £'000</b>	<b>31 March 1998 £'000</b>
Interest capitalised	<b>58</b>	<b>58</b>
Construction costs and fees	<b>7,997</b>	<b>7,997</b>
	<b><u>8,055</u></b>	<b><u>8,055</u></b>

## 8 Debtors

	<b>31 December 1998 £'000</b>	<b>31 March 1998 £'000</b>
Trade debtors	<b>554</b>	<b>673</b>
Amounts owed by group undertakings	<b>1</b>	<b>1,187</b>
Prepayments and accrued income	<b>57</b>	<b>212</b>
Other debtors receivable within one year	<b>8</b>	<b>-</b>
	<b><u>620</u></b>	<b><u>2,072</u></b>

## 9 Short-term borrowings

	<b>31 December 1998 £'000</b>	<b>31 March 1998 £'000</b>
Repayable within one year or on demand:		
Bank loans and overdrafts	<b>78</b>	<b>15</b>
Finance leases	<b>110</b>	<b>83</b>
	<b><u>188</u></b>	<b><u>98</u></b>

# WasteNotts (Reclamation) Limited

## 10 Other creditors

	31 December 1998 £'000	31 March 1998 £'000
<b>Amounts falling due within one year</b>		
Trade creditors	157	423
Amounts owed to group undertakings	19	88
Taxation	192	-
Other creditors	168	156
	<u>536</u>	<u>667</u>

## 11 Long-term borrowings

	31 December 1998 £'000	31 March 1998 £'000
<b>Maturities</b>		
Repayable by instalments and maturing after five years:		
Finance leases	6,424	6,489
	<u>6,424</u>	<u>6,489</u>
<b>Repayments</b>		
Between one and two years	147	119
Between two and five years	724	612
After five years	5,553	5,758
	<u>6,424</u>	<u>6,489</u>

## 12 Provisions for liabilities and charges

	Long-Term Plant & Maintenance £'000	Total £'000
At 1 April 1998	751	751
Charged to the profit and loss account	33	33
<b>At 31 December 1998</b>	<u>784</u>	<u>784</u>



# WasteNotts (Reclamation) Limited

## 13 Deferred taxation

The full potential deferred tax liability/(asset) for which no provision has been made is as follows:

	<b>31 December 1998 £'000</b>	<b>31 March 1998 £'000</b>
Deferred tax liability is attributable to:		
Accelerated capital allowances	<b>536</b>	716
Losses	-	(106)
	<b><u>536</u></b>	<b><u>610</u></b>

The tax rate used was 30% (Year ended 31 March 1998: 31%)

## 14 Called up share capital

	<b>31 December 1998 Number</b>	<b>31 December 1998 Nominal Value £</b>	<b>31 March 1998 Number</b>	<b>31 March 1998 Nominal Value £</b>
<b>Authorised</b>				
Ordinary shares of £1 each	<b>7,000,000</b>	<b>7,000,000</b>	7,000,000	7,000,000
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Allotted, called up and fully paid</b>				
Ordinary shares of £1 each	<b>6,295,500</b>	<b>6,295,500</b>	6,295,500	6,295,500
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>

# WasteNotts (Reclamation) Limited

## 15 Reconciliation of shareholders' funds and movement on reserves

	Called up share capital £'000	Profit and loss account £'000	Total £'000
At 1 April 1998	6,296	(21)	6,275
Retained profit for the financial period	-	1,448	1,448
<b>At 31 December 1998</b>	<b>6,296</b>	<b>1,427</b>	<b>7,723</b>

## 16 Commitments

At the period end the company was committed to making the following payments during the next financial year under non-cancellable operating leases expiring as set out below:

	<b>31 December 1998 £'000</b>	<b>31 March 1998 £'000</b>
Plant and Machinery		
Within one year	<b>2</b>	<b>2</b>

The future minimum lease payments to which the company is committed under finance leases as follows:

	<b>31 December 1998 £'000</b>	<b>31 March 1998 £'000</b>
Within one year	<b>688</b>	<b>675</b>
Between two and five years	<b>3,037</b>	<b>2,984</b>
After five years	<b>8,432</b>	<b>8,730</b>
	<b>12,157</b>	<b>12,389</b>

## 17 Contingent Liabilities

In the normal course of business the company has issued cross guarantees in respect of certain obligations of its immediate parent company. At the period end the amount guaranteed was £468,800, of which £57,300 has been released after the period end.

# WasteNotts (Reclamation) Limited

## 18 Directors and their Interests

	31 December 1998 £'000	31 March 1998 £'000
Directors' emoluments including pension contributions	-	5

Other directors are remunerated as directors or employees of the immediate parent company.

Included above is £nil (31 March 1998: £nil) in respect of contributions to a money purchase pension scheme. Three of the directors are members of a defined benefit pension scheme and two are members of a defined contribution pension scheme.

The interests of the directors holding office at 31 December 1998 in the shares of Yorkshire Water plc, the ultimate parent company, are:-

	<u>Ordinary shares of 15 5/9p each</u>		<u>Options to Acquire Ordinary shares of 15 5/9p each</u>	
	At 31 December 1998	At 31 March 1998 or later date of appointment	At 31 December 1998	At 31 March 1998 or later date of appointment
DM Ellis	-	-	-	-
RS Tomlinson	-	-	-	-
R Kelly	-	-	-	-
WR Warnett	4,773	4,632	4,372	4,372
TMH Barnes	-	-	-	-

During the period none of the directors exercised any options to acquire any shares.

## 19 Post Balance Sheet Event

On 27 January 1999, Yorkshire Environmental Solutions Limited (*Yes*) transferred its shareholding in the company to Waste Recycling Group plc (WRG) as part of a merger of the Global Environmental division of *Yes* with WRG. In return, *Yes* received 46% of the enlarged share capital of WRG.

# **WasteNotts (Reclamation) Limited**

## **20 Ultimate Parent Company**

The company's immediate parent company is WasteNotts Limited, which is registered in England and Wales. Its ultimate parent undertaking at the year end was Yorkshire Water plc which is also registered in England and Wales and prepares group accounts.

Copies of the group accounts may be obtained from:

The Company Secretary  
Yorkshire Water plc  
2 The Embankment  
Sovereign Street  
Leeds  
LS1 4BG