

WASTENOTTS (RECLAMATION) LIMITED

DIRECTORS' REPORT AND ACCOUNTS

For the year ended

31 March 1997

Registered No 2674169



WASTENOTTS (RECLAMATION) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 1997

The directors present their report and the audited accounts for the year ended 31 March 1997.

Principal activities and business review.

The profit and loss account for the period is set out on page 5.

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

Results and Dividends

The profit after taxation for the year amounted to £515,000 (1996 loss £397,000). The directors recommend the payment of a dividend of £200,000 (1996 £nil) and therefore £315,000 (1996 loss £396,931) will be transferred to reserves.

Directors and their interests

The directors of the company who served during the year were:

P D Wynn	(Chairman)
J R Gostick	
D M Ellis	
N D W Taunt	
T C A Diggle	
M Gawith	(Appointed 21 June 1996)

None of the directors has any interests in the share capital of the company.

The interests of the directors holding office at the end of the year at 31 March 1997 and at the beginning of the year (or date of appointment if later) in the shares of Yorkshire Water plc are:

	Ordinary shares of 15 5/9p 31 March 1997	Ordinary shares of £1 28 March 1996	Options to acquire ordinary shares of 15 5/9p 31 March 1997	Options to acquire ordinary shares of £1 28 March 1996
P D Wynn	-	-	3,476	-
J R Gostick	-	-	-	-
D M Ellis	-	-	-	-
NDW Taunt	1,800	1,000	5,876	2,113
T C A Diggle	-	-	6,966	-
M Gawith	-	-	-	-

WASTENOTTS (RECLAMATION) LIMITED**DIRECTORS' REPORT FOR THE YEAR ENDED
31 MARCH 1997**

The options are exercisable at various dates to October 2002 under the Yorkshire Water plc Executive Share Option and Sharesave Schemes at prices up to 295 pence per share.

The number of shares held at 31 March 1997 and their nominal value were affected by the reorganisation approved by shareholders on 26 February 1997 and for which the record date was 28 February 1997.

At no time during the year has any director had a material interest in a contract with any company in the group, being a contract which was significant in relation to the business of that 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.

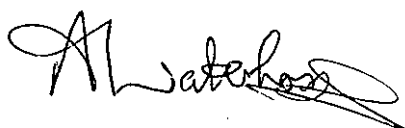
Political and charitable donations

No political or charitable donations were made during the year.

Auditors

A resolution to reappoint Ernst & Young as auditors will be proposed at the annual general meeting.

By order of the board



A Waterhouse
Company Secretary

1997

Registered Office

2 The Embankment
Sovereign Street
Leeds

WASTENOTTS (RECLAMATION) LIMITED

DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare accounts for each financial year which give 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 accounts, the directors are required to:

- (i) select appropriate accounting policies and apply them consistently
- (ii) make judgements and estimates that are reasonable and prudent
- (iii) state whether applicable accounting standards have been followed: and
- (iv) prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for ensuring that the company keeps accounting records which disclose with reasonable accuracy the financial position of the company and which enable them to ensure that the accounts 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.

**REPORT OF THE AUDITORS TO THE MEMBERS OF
WASTENOTTS (RECLAMATION) LIMITED**

We have audited the financial statements on pages 5 to 19 which have been prepared under the historical cost convention and the accounting policies set out on pages 7, 8 and 9.

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.

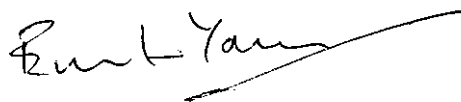
Basis of opinion

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 at 31 March 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Chartered Accountants
Registered Auditor
Leeds

12 September 1997

WASTENOTTS (RECLAMATION) LIMITED**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED
31 MARCH 1997**

	Notes	Year ended 31 March 1997	Three months ended 27 March 1996
		£,000	£,000
TURNOVER	2	4,627	678
Operating costs	3	(3,850)	(983)
		_____	_____
OPERATING PROFIT / (LOSS)		777	(305)
Interest	5	(601)	(160)
		_____	_____
PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		176	(465)
Taxation	6	339	68
		_____	_____
PROFIT / (LOSS) FOR THE YEAR AFTER TAXATION	15	515	(397)
Dividend	7	(200)	-
		_____	_____
RETAINED PROFIT / (LOSS) FOR THE YEAR		315	(397)
		_____	_____
RETAINED PROFIT / (LOSS)			
At the beginning of the year		(315)	82
Profit / (loss) for the year		315	(397)
		_____	_____
At the end of the year		-	(315)
		_____	_____

All recognised gains and losses have been accounted for in the profit and loss account and therefore no separate statement of total recognised gains and losses has been presented.

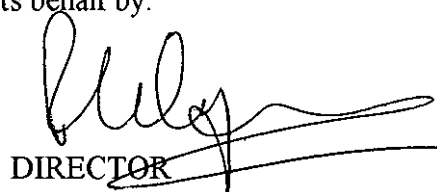
WASTENOTTS (RECLAMATION) LIMITED**BALANCE SHEET AT 31 MARCH 1997**

	<u>Notes</u>	<u>31 March 1997</u> <u>£,000</u>	<u>27 March 1996</u> <u>£,000</u>
FIXED ASSETS			
Tangible assets	8	12,644	13,057
CURRENT ASSETS			
Stocks		4	7
Debtors	9	2,176	662
Amount due from parent undertaking		150	-
Cash at bank and in hand		-	251
		<u>2,330</u>	<u>920</u>
CREDITORS:(amounts falling due within one year)	10	<u>1,797</u>	<u>1,711</u>
NET CURRENT ASSETS/ (LIABILITIES)		<u>533</u>	<u>(791)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>13,177</u>	<u>12,226</u>
CREDITORS: (amounts falling due after more than one year)	11	<u>(6,613)</u>	<u>(5,998)</u>
PROVISIONS FOR LIABILITIES AND CHARGES	12	<u>(268)</u>	<u>(287)</u>
Net assets		<u>6,296</u>	<u>5,981</u>
CAPITAL AND RESERVES			
Called up share capital	14	6,296	6,296
Profit and loss account	15	-	(315)
Equity Shareholders' funds	15	<u>6,296</u>	<u>5,981</u>

Approved by the board of directors and signed on its behalf by:



DIRECTOR



DIRECTOR

1997

WASTENOTTS (RECLAMATION) LIMITED

NOTES TO THE ACCOUNTS 31 MARCH 1997

1 PRINCIPAL ACCOUNTING POLICIES

Basis of accounting

The accounts are prepared under the historical cost convention in accordance with applicable Accounting Standards.

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 annual rates used for this purpose are:

	%
Land and buildings	4%
Incinerator plant	10%
Leased incinerator refurbishment	over the life of the lease

Leased assets and obligations

The cost of assets held under finance leases is capitalised within the appropriate tangible fixed asset heading and depreciation is provided in accordance with the company's accounting policy for tangible fixed assets.

The interest cost is calculated so as to produce a constant periodic rate of charge on the balance of the liability for each accounting period over the term of the lease and the capital element of future lease payments is included in creditors.

Leased assets in the course of construction are shown at the costs incurred to date.

WASTENOTTS (RECLAMATION) LIMITED**NOTES TO THE ACCOUNTS 31 MARCH 1997
(CONTINUED)****Stocks and work in progress**

Stocks and work in progress are stated at the lower of cost and net realisable value. In general, cost is determined on a first in first out basis and includes transport and handling costs. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Turnover

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

Deferred taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise. Full provision is made for deferred taxation on timing differences arising from the provision of employee pensions.

Pension scheme arrangements

The company operates a defined benefit pension scheme. The fund is valued every three years by a professionally qualified independent actuary, the rates of contribution payable being determined by the actuary. In the intervening years the actuary reviews the continuing appropriateness of the rates. Pension costs are accounted for on the basis of charging the expected cost of providing pensions over the period during which the company benefits from the employees' services. The effects of variations from regular cost are spread over the expected average remaining service lives of members of the scheme.

The company provides no other post retirement benefits to employees.

Operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term.

Cash flow statement

The company is a wholly owned subsidiary of Yorkshire Water plc, 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**NOTES TO THE ACCOUNTS 31 MARCH 1997
(CONTINUED)****Related party transactions**

The company is a wholly owned subsidiary of WasteNotts Limited whose financial statements 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.

WASTENOTTS (RECLAMATION) LIMITED**NOTES TO THE ACCOUNTS 31 MARCH 1997
(CONTINUED)****2 TURNOVER**

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

	Year ended 31 March 1997	Three months ended 27 March 1996
	<u>£,000</u>	<u>£,000</u>
Third party	4,627	678
Inter-company	-	-
	<hr/>	<hr/>
	4,627	678
	<hr/>	<hr/>

3 OPERATING COSTS

	Year ended 31 March 1997	Three months ended 27 March 1996
	<u>£,000</u>	<u>£,000</u>
Wages and salaries	60	7
Social security costs	5	1
Other pension costs	6	1
Raw materials and consumables	988	35
Auditors' remuneration	2	3
Depreciation of owned assets	188	416
Depreciation of assets held under finance leases	248	287
Other operating charges	2,353	233
	<hr/>	<hr/>
	3,850	983
	<hr/>	<hr/>

WASTENOTTS (RECLAMATION) LIMITED**NOTES TO THE ACCOUNTS 31 MARCH 1997
(CONTINUED)****4 DIRECTORS AND EMPLOYEES**

	Year ended <u>31 March 1997</u>	Three months ended <u>27 March 1996</u>
None of the directors received any remuneration in respect of their services to the company.		

The average weekly number of persons employed by the company during the year was:	3	2
	<u> </u>	<u> </u>

5 INTEREST

	Year ended <u>31 March 1997</u> <u>£'000</u>	Three months ended <u>27 March 1996</u> <u>£'000</u>
Interest element payable on finance lease rentals	(604)	(159)
Other interest payable	-	(1)
Interest receivable on short term deposits	3	-
	<u> </u>	<u> </u>
	(601)	(160)
	<u> </u>	<u> </u>

WASTENOTTS (RECLAMATION) LIMITED**NOTES TO THE ACCOUNTS 31 MARCH 1997
(CONTINUED)****6 TAXATION**

	Year ended 31 March 1997 <u>£,000</u>	Three months ended 27 March 1996 <u>£,000</u>
United Kingdom corporation tax at 33%		
Current	-	(65)
Deferred tax	(287)	(3)
Adjustment in respect of prior years	(52)	-
	<hr/>	<hr/>
	(339)	(68)
	<hr/>	<hr/>

The taxation charge for the year has been increased by £112,000 (1996 £nil) due to losses being surrendered as group relief for nil consideration and reduced by £494,000 due to the effect of timing differences for which no deferred tax is provided.

7 DIVIDENDS

	Year ended 31 March 1997 <u>£,000</u>	Three months ended 27 March 1996 <u>£,000</u>
Proposed final dividend payable 3.18p per share (1996 nil)	200	-
	<hr/>	<hr/>

WASTENOTTS (RECLAMATION) LIMITED

NOTES TO THE ACCOUNTS 31 MARCH 1997 (CONTINUED)

8 TANGIBLE FIXED ASSETS

	Incinerator Plant & Buildings	Leased Refurbishment	Total
	£,000	£,000	£,000
<u>Cost</u>			
At 28 March 1996	7,032	8,055	15,087
Additions	23	-	23
	<hr/>	<hr/>	<hr/>
At 31 March 1997	7,055	8,055	15,110
	<hr/>	<hr/>	<hr/>
<u>Depreciation</u>			
At 28 March 1996	1,455	575	2,030
Charge for the period	188	248	436
	<hr/>	<hr/>	<hr/>
At 31 March 1997	1,643	823	2,466
	<hr/>	<hr/>	<hr/>
<u>Net book values</u>			
At 31 March 1997	5,412	7,232	12,644
	<hr/>	<hr/>	<hr/>
At 27 March 1996	5,577	7,480	13,057
	<hr/>	<hr/>	<hr/>

The refurbishment includes the following items:

	<u>31 March 1997</u> <u>£,000</u>	<u>27 March 1996</u> <u>£,000</u>
Interest capitalised	58	58
Construction costs and fees	7,997	7,997

WASTENOTTS (RECLAMATION) LIMITED**NOTES TO THE ACCOUNTS 31 MARCH 1997
(CONTINUED)****8 TANGIBLE ASSETS
(CONTINUED)**

	<u>31 March 1997</u> <u>£,000</u>	<u>27 March 1996</u> <u>£,000</u>
<u>Capital Expenditure Commitments</u>		
Contracted for but not provided	-	22
	<u> </u>	<u> </u>

9 DEBTORS

	<u>31 March 1997</u> <u>£,000</u>	<u>27 March 1996</u> <u>£,000</u>
Trade debtors	1,514	67
Amount due from group undertaking	2	508
Prepayments and accrued income	438	21
Corporation tax repayable	66	66
VAT recoverable	156	-
	<u> </u>	<u> </u>
	2,176	662
	<u> </u>	<u> </u>

10 CREDITORS : amounts falling due within one year

	<u>31 March 1997</u> <u>£,000</u>	<u>27 March 1996</u> <u>£,000</u>
Bank overdraft	187	-
Loans	78	-
Trade creditors	170	226
Amounts due to group undertaking	995	750
Accruals and deferred income	1	62
Obligations under finance lease	36	672
Dividends payable	200	-
Other taxation and social security	130	1
	<u> </u>	<u> </u>
	1,797	1,711
	<u> </u>	<u> </u>

WASTENOTTS (RECLAMATION) LIMITED**NOTES TO THE ACCOUNTS 31 MARCH 1997
(CONTINUED)****11 CREDITORS: amounts falling due after more than one year**

	<u>31 March 1997</u> <u>£,000</u>	<u>27 March 1996</u> <u>£,000</u>
Loans from parent undertaking	-	75
less amounts falling due within one year	-	(75)
	<hr/>	<hr/>
	-	-
Obligation under finance lease	6,613	5,998
	<hr/>	<hr/>
	6,613	5,998
	<hr/>	<hr/>

Obligations under finance leases

	<u>Year ended</u> <u>31 March 1997</u> <u>£'000</u>	<u>Three months</u> <u>ended</u> <u>27 March 1996</u> <u>£'000</u>
The net finance lease obligations to which the company is committed are:		
In one year or less	36	21
Between one and two years	72	48
Between two and five years	440	351
In five years or more	6,101	6,249
	<hr/>	<hr/>
	6,649	6,669
	<hr/>	<hr/>

WASTENOTTS (RECLAMATION) LIMITED**NOTES TO THE ACCOUNTS 31 MARCH 1997
(CONTINUED)****12 PROVISIONS FOR LIABILITIES AND CHARGES**

	Deferred Taxation	Repairs	Total
	£'000	£'000	£'000
At 28 March 1996	287	-	287
Charged in the profit and loss account	-	289	289
Utilised	(287)	(21)	(308)
At 31 March 1997	-	268	268

Deferred taxation provided in the financial statements and the amount unprovided of the total potential liability are as follows:

	<u>Amount provided</u>		<u>Amount unprovided</u>	
	<u>31 March 1997</u>	<u>27 March 1996</u>	<u>31 March 1997</u>	<u>27 March 1996</u>
	£,000	£,000	£,000	£,000
Tax effect of timing difference because of:				
Excess capital allowances over depreciation	-	293	706	207
Other	-	(6)	(5)	-
	-	287	701	207

Deferred tax has not been provided in respect of the excess of capital allowances over depreciation where it is anticipated there will be no clawback of those tax allowances.

WASTENOTTS (RECLAMATION) LIMITED**NOTES TO THE ACCOUNTS 31 MARCH 1997
(CONTINUED)****13 PENSION OBLIGATIONS**

The company participates as part of the WasteNotts group in a pension scheme operated by Hartshead Solway Limited providing benefits based on final pensionable salary. The assets of the scheme are held separately from those of the group.

The total pension costs for the company for the period was £ 5,821 (1996 £573) The pension costs are assessed in accordance with the advice of an independent qualified actuary using the projected unit method. The group scheme was set up on 1 July 1992 as a joint scheme with other Local Authority Waste Disposal Companies and the company joined the scheme on vesting on 29 March 1993. The valuation undertaken by the company's actuaries as at 31 March 1995 used the following assumptions; rate of investment return 9% per annum, rate of future salary increases 7% per annum and rate of pension increases 4.5% per annum. The value of the scheme at this date was £94,900 which represents a funding level of 70%. The advice of the actuary is that the deficiency of accumulated assets against accrued past service liabilities of the WasteNotts group of £40,930 can be spread over the remaining lives of the existing members.

The contributions of the company and employees are 13% and 6% respectively

14 CALLED UP SHARE CAPITAL

	<u>31 March 1997</u>	<u>27 March 1996</u>
	<u>£,000</u>	<u>£,000</u>
Authorised		
7,000,000 ordinary shares of £1 each	7,000	7,000
	<hr/>	<hr/>
	<u>£,000</u>	<u>£,000</u>
Allotted, called up and fully paid		
6,295,500 ordinary shares of £1 each	6,296	6,296
	<hr/>	<hr/>

WASTENOTTS (RECLAMATION) LIMITED**NOTES TO THE ACCOUNTS 31 MARCH 1997
(CONTINUED)****15 RECONCILIATION OF SHAREHOLDERS FUNDS
AND MOVEMENT ON RESERVES**

	Share Capital	Profit and loss account	Equity shareholders funds
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
At 1 January 1996	6,296	82	6,378
Loss for the period	-	(397)	(397)
	<hr/>	<hr/>	<hr/>
At 27 March 1996	6,296	(315)	5,981
Profit for the year	-	515	515
Dividends	-	(200)	(200)
	<hr/>	<hr/>	<hr/>
At 31 March 1997	6,296	-	6,296
	<hr/>	<hr/>	<hr/>

16 FINANCIAL COMMITMENTS

At 27 March 1996 the company had annual commitments under non-cancellable operating leases as follows:

<u>Plant and Machinery</u>	<u>31 March 1997</u>	<u>27 March 1996</u>
	<u>£,000</u>	<u>£,000</u>
Expiring within one year	3	255
Expiring between one and two years	2	-
Expiring between two and five years	-	5
	<hr/>	<hr/>
	5	260
	<hr/>	<hr/>

WASTENOTTS (RECLAMATION) LIMITED**NOTES TO THE ACCOUNTS 31 MARCH 1997
(CONTINUED)**

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

	<u>31 March 1997</u>	<u>27 March 1996</u>
	<u>£,000</u>	<u>£,000</u>
In one year or less	650	625
Between one and two years	675	650
Between two and five years	2,194	2,109
Over five years	9,520	10,280
	<hr/> 13,039 <hr/>	<hr/> 13,664 <hr/>

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.

18 ULTIMATE PARENT COMPANY

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

Copies of the group accounts may be obtained from :

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