

WasteNotts (Reclamation) Limited
DIRECTORS' REPORT AND ACCOUNTS

for the year ended

31 December 1999

(Registered Number 2674169)



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WasteNotts (Reclamation) Limited

Directors' Report for the year ended 31 December 1999

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

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.

Dividends and transfers to reserves

The loss after taxation for the year amounted to £1,429,000 (Nine months ended 31 December 1998: £1,448,000). The Directors do not recommend the payment of a dividend (Nine months ended 31 December 1998: £nil) and, therefore, £1,429,000 (Nine months ended 31 December 1998: profit £1,448,000) has been transferred to reserves.

Directors and their interests

The Directors who served during the year were:

JM Huntington	(appointed 30 September 1999)
TMH Barnes	(resigned 30 September 1999)
ID Dickinson	(appointed 15 December 1999)
DM Ellis	(resigned 15 December 1999)
R Kelly	(resigned 10 February 1999)
RS Tomlinson	
WA Trendell	(appointed 30 September 1999)
WR Warnett	(resigned 5 March 1999)
K Whittle	(appointed 15 December 1999, resigned 21 September 2000)

On 16 March 2000, Mr Harold Yates was appointed as a director of the company.

None of the directors held any interests in the shares of the company at 31 December 1999. Mr JM Huntington and Mr WA Trendell are directors of the ultimate parent company, Waste Recycling Group plc, and their shareholdings are shown in the financial statements of that company.

The interests of the other directors in the shares of the ultimate parent company are disclosed in Note 18.

WasteNotts (Reclamation) Limited

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.

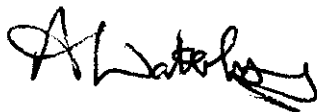
Political and charitable donations

No political or charitable donations were made during the year.

Auditors

A resolution will be proposed at the Annual General Meeting to re-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
26 October 2000

Registered Office:
3 Sidings Court
White Rose Way
Doncaster
DN4 5NU

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 year ended 31 December 1999. 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 5 to 17 which have been prepared under the historical cost convention and the accounting policies set out on pages 7 to 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 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 1999 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



DELOITTE & TOUCHE

Chartered Accountants & Registered Auditors

10-12 East Parade

Leeds

LS1 2AJ

26 October 2000

WasteNotts (Reclamation) Limited

Profit and loss account for the year ended 31 December 1999

		Year Ended 31 December 1999 £'000	Nine months Ended 31 December 1998 £'000
	Notes		
Turnover – continuing operations	2	5,105	4,798
Cost of Sales		(3,541)	(2,085)
Gross profit		1,564	2,713
Admin Expenses		(1,245)	(733)
Operating profit – continuing operations	3	319	1,980
Net interest payable	5	(478)	(382)
(Loss)/profit on ordinary activities before taxation		(159)	1,598
Tax on (loss)/profit on ordinary activities	6	(1,270)	(150)
Retained (loss)/profit for the financial period	15	(1,429)	1,448

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 loss on ordinary activities before taxation and the retained loss for the year stated above, and their historical cost equivalents.

WasteNotts (Reclamation) Limited

Balance sheet at 31 December 1999

		31 December 1999 £'000	As restated 31 December 1998 £'000
	Notes		
Fixed assets			
Tangible assets	7	9,462	11,107
Current assets			
Debtors	8	784	620
Cash at bank and in hand		4,291	3,154
		5,075	3,774
Creditors: amounts falling due within one year			
Short-term borrowings	9	(225)	(188)
Other creditors	10	(1,018)	(536)
		(1,243)	(724)
Net current assets		3,832	3,050
Total assets less current liabilities		13,294	14,157
Creditors: amounts falling due after more than one year			
Long-term borrowings	11	(6,270)	(6,424)
Provisions for liabilities and charges	12	-	(10)
Deferred tax liability	13	(730)	-
Net assets		6,294	7,723
Capital and reserves			
Called up share capital	14	6,296	6,296
Profit and loss account	15	(2)	1,427
Equity shareholders' funds		6,294	7,723

Restated due to FRS 12 (see note 1).



WA Trendell

DIRECTOR

WasteNotts (Reclamation) Limited

Notes to the financial statements for the year ended 31 December 1999

1 Principal 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.

Turnover

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

Tangible fixed assets

Tangible fixed assets are stated at cost. Depreciation is provided on tangible fixed assets in use at rates calculated to write off the cost less residual value of each asset 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
Motor vehicles	-	over 4 years

Pension Costs

Contributions in respect of the company's defined contribution pension scheme are charged to the profit and loss account for the year in which they are payable to the scheme.

Cash Flow Statement

At the year end the company was an ultimately owned subsidiary of Waste Recycling Group 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 Waste Recycling Group plc.

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

Leasing and hire purchase commitments

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 periods 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.

Long-Term Maintenance Provisions

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. Long term maintenance provisions are no longer allowed under FRS 12 and as such comparative amounts have been restated accordingly. This resulted in £774,000 being adjusted from provisions (see note 12) to accumulated depreciation as part of tangible fixed assets (see note 7).

2 Segmental analysis

All turnover and profits were 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. All net assets are applied in this business segment and are based in the United Kingdom.

3 Operating profit

	Year Ended 31 December 1999 £'000	Nine months Ended 31 December 1998 £'000
Operating profit is stated after charging:		
Depreciation – owned assets	168	58
Depreciation – leased assets	261	269
Operating lease rentals – hired plant and machinery	30	23
Auditors' remuneration – audit fees	4	4

WasteNotts (Reclamation) Limited

4 Employment costs

	Year Ended 31 December 1999 £'000	Nine months Ended 31 December 1998 £'000
Wages and salaries	66	75
Social security costs	3	5
Other pension costs	5	7
	<u>74</u>	<u>87</u>
	Number	Number
The average weekly number of employees (including directors) during the period was:	<u>4</u>	<u>3</u>

The directors are remunerated as directors or employees of the ultimate parent company.

5 Net interest payable

	Year Ended 31 December 1999 £'000	Nine months Ended 31 December 1998 £'000
Interest payable on: Finance leases and hire purchase contracts	(590)	(437)
Interest payable	<u>(590)</u>	<u>(437)</u>
Interest receivable	112	55
Net interest payable	<u>(478)</u>	<u>(382)</u>

WasteNotts (Reclamation) Limited

6 Tax on (loss)/profit on ordinary activities

	Year Ended 31 December 1999 £'000	Nine months Ended 31 December 1998 £'000
Corporation tax at 30% (Nine months ended 31 December 1998: 31%) on (loss)/profit for year	540	542
ACT surrendered for nil consideration	-	(350)
Overprovision in previous year	-	(42)
Deferred taxation – current year	101	-
Deferred taxation – prior year	629	-
	<hr/> 1,270 <hr/>	<hr/> 150 <hr/>

The tax charge is higher than a normal rate. This is principally as a result of fixed asset write downs which are not allowable for corporation tax purposes and the full recognition of potential deferred tax liabilities.

WasteNotts (Reclamation) Limited

7 Tangible fixed assets

	Restated Incinerator plant and buildings £'000	Leased refurbishment £'000	Total £'000
Cost			
At 1 January 1999 and 31 December 1999	7,055	8,055	15,110
Depreciation			
At 1 January 1999 restated	2,662	1,341	4,003
Charge for year	168	261	429
Impairment	1,216	-	1,216
At 31 December 1999	4,046	1,602	5,648
Net book value			
At 31 December 1999	3,009	6,453	9,462
At 31 December 1998	4,393	6,714	11,107

Restated (see note 1).

Following a review by the directors on 27 January 1999, accelerated depreciation has been charged on the incinerator, plant and buildings to reflect a reduction in the useful economic life of the asset. This has resulted in the impairment provision of £1,216,000.

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

	31 December 1999 £'000	31 December 1998 £'000
Interest capitalised	58	58
Construction costs and fees	7,997	7,997
	8,055	8,055

WasteNotts (Reclamation) Limited

8 Debtors

	31 December 1999 £'000	31 December 1998 £'000
Trade debtors	782	554
Amounts owed by group undertakings	-	1
Prepayments and accrued income	2	57
Other debtors receivable within one year	-	8
	<u>784</u>	<u>620</u>

9 Short-term borrowings

	31 December 1999 £'000	31 December 1998 £'000
Repayable within one year or on demand:		
Bank loans and overdrafts	78	78
Finance leases	147	110
	<u>225</u>	<u>188</u>

10 Other creditors

	31 December 1999 £'000	31 December 1998 £'000
Amounts falling due within one year		
Trade creditors	404	157
Amounts owed to group undertakings	-	19
Taxation	393	192
Other creditors	221	168
	<u>1,018</u>	<u>536</u>

WasteNotts (Reclamation) Limited

11 Long-term borrowings

	31 December 1999 £'000	31 December 1998 £'000
Maturities		
Repayable by instalments and maturing after five years:		
Finance leases	6,270	6,424
Repayments		
Between one and two years	191	147
Between two and five years	886	724
After five years	5,193	5,553
	6,270	6,424

12 Provisions for liabilities and charges

	Long-Term Plant Maintenance £'000	Total £'000
At 1 January 1999 as previously reported	784	784
FRS 12 adjustment	(774)	(774)
At 1 January 1999 as restated	10	10
Credited to profit and loss account in year	(10)	(10)
At 31 December 1999	-	-

Restated (see note 1).

WasteNotts (Reclamation) Limited

13 Deferred taxation

	£'000
At 1 January 1999	-
Movement in the year	(730)
At 31 December 1999	(730)

	31 December 1999 £'000	31 December 1998 £'000
Deferred tax liability is attributable to:		
Accelerated capital allowances	730	-

The potential deferred tax liability for which no provision has been made is as follows:

	31 December 1999 £'000	31 December 1998 £'000
Deferred tax liability is attributable to:		
Accelerated capital allowances	-	536
Losses	-	-
	-	536

The tax rate used was 30% (Nine months ended 31 December 1998: 31%)

WasteNotts (Reclamation) Limited

14 Called up share capital

	31 December 1999 Number	31 December 1999 Nominal Value £	31 December 1998 Number	31 December 1998 Nominal Value £
Authorised				
Ordinary shares of £1 each	7,000,000	7,000,000	7,000,000	7,000,000
Allotted, called up and fully paid				
Ordinary shares of £1 each	6,295,500	6,295,500	6,295,500	6,295,500

15 Reconciliation of shareholders' funds and movement on reserves

	Called up share capital £'000	Profit and loss account £'000	Total £'000
At 1 January 1999	6,296	1,427	7,723
Retained loss for the financial period	-	(1,429)	(1,429)
At 31 December 1999	6,296	(2)	6,294

WasteNotts (Reclamation) Limited

16 Commitments

At the year 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:

	31 December 1999 £'000	31 December 1998 £'000
Plant and Machinery		
Within one year	-	2

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

	31 December 1999 £'000	31 December 1998 £'000
Capital		
Within one year	147	110
Between two and five years	1,077	871
After five years	5,193	5,553
	<hr/>	<hr/>
	6,417	6,534
Interest	5,072	5,733
	<hr/>	<hr/>
	11,489	12,267
	<hr/>	<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. At the period end the amount guaranteed was £409,500.

WasteNotts (Reclamation) Limited

18 Directors Interests

Mr JM Huntington and Mr WA Trendell are directors of the ultimate parent company, Waste Recycling Group plc, and their shareholdings are shown in the financial statements of that company.

None of the other directors held any interest in the share capital of the ultimate parent company.

The interests of the directors in office at 31 December 1999 in the share options schemes of the ultimate parent company are as follows:

The Waste Recycling Group plc Executive Share Option Scheme 1995

	Number of Options	
	At 31 December 1999	At 1 January 1999
R Tomlinson	6,711	-
K Whittle	7,025	-

The Waste Recycling Group plc 1996 Non-approved Share Option Scheme

	Number of Options	
	At 31 December 1999	At 1 January 1999
R Tomlinson	23,289	-
K Whittle	2,975	-

19 Ultimate Parent Company

The company's immediate parent company is WasteNotts Limited, which is registered in England and Wales. Its ultimate parent undertaking is Waste Recycling Group 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
Waste Recycling Group plc
3 Sidings Court
White Rose Way
Doncaster
DN4 5NU