

WASTENOTTS (RECLAMATION) LIMITED

DIRECTORS' REPORT AND ACCOUNTS

for the year ended

31 March 1998

Registered Number 2674169



WASTENOTTS (RECLAMATION) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 1998

The directors present their report and the audited accounts for the year ended 31 March 1998.

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 loss after taxation for the year amounted to £21,000 (1997: profit £515,000). The directors do not recommend the payment of a dividend (1997: £200,000) and therefore £21,000 loss (1997: profit £315,000) has been transferred to reserves.

Directors and their interests

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

C Boyes	(appointed 20 June 1997)
T C A Diggle	(resigned 18 June 1998)
D M Ellis	
G M Gawith	(resigned 24 March 1998)
J R Gostick	(resigned 31 May 1997)
N D W Taunt	(resigned 20 June 1997)
R S Tomlinson	(appointed 21 November 1997)
P D Wynn	(resigned 19 March 1998)

In addition R D L Kelly and W R Warnett were appointed directors on 18 June 1998.

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

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.

WASTENOTTS (RECLAMATION) LIMITED

DIRECTORS REPORT FOR THE YEAR ENDED 31 MARCH 1998

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.

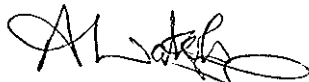
Political and charitable donations

No political or charitable donations were made during the year.

Auditors

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

By order of the board



A Waterhouse
Secretary

5 August 1998

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 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 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 taking such steps as are reasonably open to them to safeguard the assets of the company and for taking reasonable steps for the prevention of fraud and other irregularities.

AUDITORS REPORT TO THE MEMBERS OF WASTENOTTS (RECLAMATION) LIMITED

We have audited the financial statements on pages 5 to 15 which have been prepared under the historical cost convention and 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.

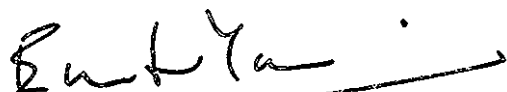
Basis of opinion

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 affairs of the company and the group at 31 March 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Registered Auditor
Leeds

5 August, 1998

WASTENOTTS (RECLAMATION) LIMITED

PROFIT & LOSS ACCOUNT

for the year ended 31 March 1998

	NOTES	1998 £'000	1997 £'000
TURNOVER			
Continuing operations	2	4,810	4,627
Operating costs	3	<u>(4,257)</u>	<u>(3,850)</u>
OPERATING PROFIT		553	777
Net interest payable	4	<u>(546)</u>	<u>(601)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		7	176
Taxation	5	<u>(28)</u>	<u>339</u>
(LOSS)/PROFIT FOR THE YEAR		<u>(21)</u>	<u>515</u>
Dividends	6	<u>-</u>	<u>(200)</u>
(LOSS)/ PROFIT RETAINED FOR THE YEAR		<u>(21)</u>	<u>315</u>

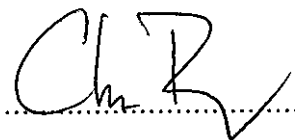
There are no recognised gains and losses other than the loss for the year of £ 21,000 (1997: profit £515,000).

WASTENOTTS (RECLAMATION) LIMITED

BALANCE SHEET

at 31 March 1998

	NOTES	1998 £'000	1997 £'000
FIXED ASSETS			
Tangible assets	8	<u>12,208</u>	<u>12,644</u>
CURRENT ASSETS			
Stocks	9	-	4
Debtors	10	<u>2,072</u>	<u>2,326</u>
		<u>2,072</u>	<u>2,330</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Short-term borrowings	11	98	223
Other creditors	13	<u>667</u>	<u>1,574</u>
		<u>765</u>	<u>1,797</u>
NET CURRENT ASSETS (LIABILITIES)		<u>1,307</u>	<u>533</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>13,515</u>	<u>13,177</u>
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR			
Long-term borrowings	12	(6,489)	(6,613)
PROVISIONS FOR LIABILITIES AND CHARGES	15	<u>(751)</u>	<u>(268)</u>
NET ASSETS		<u>6,275</u>	<u>6,296</u>
CAPITAL AND RESERVES			
Called up share capital	16	6,296	6,296
Profit and loss account	17	<u>(21)</u>	<u>-</u>
EQUITY SHAREHOLDERS' FUNDS		<u>6,275</u>	<u>6,296</u>



DIRECTOR

5 August 1998

WASTENOTTS (RECLAMATION) LIMITED

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

BASIS OF ACCOUNTING

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

TURNOVER

Turnover represents the value of services supplied, excluding value added tax.

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.

DEPRECIATION

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:

Land and buildings	30
Incinerator plant	30
Leased incinerator refurbishment	30

ASSETS HELD UNDER FINANCE LEASES

Assets which are financed by leasing agreements that transfer substantially all the risks and rewards of ownership to the company are capitalised and depreciated over the shorter of their estimated useful lives and the term of the lease. The liability to the leasing company is included as an obligation under finance leases within creditors.

WASTENOTTS (RECLAMATION) LIMITED
NOTES TO THE ACCOUNTS (CONTINUED)

OPERATING LEASES

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

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.

PENSIONS

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.

The company provides no other post retirement benefits to employees.

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.

RELATED PARTY TRANSACTIONS

At the balance sheet date the whole of the issued share capital of the company was ultimately owned by Yorkshire Water plc. The reports and accounts of both undertakings are available to the general public. Consequently under the provision of Financial Reporting Standard No 8 the company is exempt from reporting details of transactions and balances with companies in the Yorkshire Water plc group.

WASTENOTTS (RECLAMATION) LIMITED
NOTES TO THE ACCOUNTS (CONTINUED)

2. SEGMENTAL ANALYSIS

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

	1998 £'000	1997 £'000
Third party	4,801	4,627
Inter-company	9	-
	<u>4,810</u>	<u>4,627</u>

3. OPERATING COSTS

	1998 £'000	1997 £'000
Wages and salaries	113	60
Social security costs	9	5
Other pension costs	11	6
Raw materials and consumables	877	988
Other external charges	2,808	2,353
Depreciation of owned assets	187	188
Depreciation of assets held under finance leases	249	248
	<u>4,254</u>	<u>3,848</u>

AUDITOR'S REMUNERATION

Statutory audit fees and expenses	3	2
	<u>3</u>	<u>2</u>

EMPLOYEES

	No.	No.
The average weekly number of employees during the year was:	<u>6</u>	<u>3</u>

4. INTEREST

	1998 £'000	1997 £'000
Interest payable on:		
Finance leases and hire purchase contracts	(590)	(604)
	<u>(590)</u>	<u>(604)</u>
Interest receivable	44	3
Net interest payable	<u>(546)</u>	<u>(601)</u>

WASTENOTTS (RECLAMATION) LIMITED
NOTES TO THE ACCOUNTS (CONTINUED)

5. TAXATION

	1998 £'000	1997 £'000
Corporation tax at 31% (1997: 33%) on the profit for the year, group relief surrendered to fellow subsidiary	(37)	-
Under /(over) provision in previous year(s)	65	(52)
Deferred taxation	-	(287)
	<u>28</u>	<u>(339)</u>

The taxation charge has been reduced by £53,000 (1997: £494,000) due to the effect of timing differences for which no deferred tax has been provided.

6. DIVIDENDS ON ORDINARY SHARES

	1998 £'000	1997 £'000
Final - proposed	-	200
	<u>-</u>	<u>200</u>

7. PENSIONS

The company participates as part of the WasteNotts group in a pension scheme operated by Capita Hartshead 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 £ 10,790. The pension costs are assessed in accordance with the advice of an independent qualified actuary using the projected unit method. The scheme was set up on 1 July 1992 as a joint scheme with other Local Authority Waste Disposal Companies and WasteNotts 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 £40,930 can be spread over the remaining service lives of existing members.

WASTENOTTS (RECLAMATION) LIMITED
NOTES TO THE ACCOUNTS (CONTINUED)

8 TANGIBLE ASSETS

	Incinerator plant and buildings £'000	Leased refurbish- ment £'000	Total £'000
Cost:			
At 1 April 1997	7,055	8,055	15,110
Additions	-	-	-
At 31 March 1998	<u>7,055</u>	<u>8,055</u>	<u>15,110</u>
Depreciation:			
At 1 April 1997	1,643	823	2,466
Depreciation for the year	187	249	436
At 31 March 1998	<u>1,830</u>	<u>1,072</u>	<u>2,902</u>
Net book amount at 31 March 1998	<u>5,225</u>	<u>6,983</u>	<u>12,208</u>
<i>Net book amount at 31 March 1997</i>	<u>5,412</u>	<u>7,232</u>	<u>12,644</u>

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

	1998 £'000	1997 £'000
Interest capitalised	58	58
Construction costs and fees	7,997	7,997
	<u>8,055</u>	<u>8,055</u>

9. STOCKS

	1998 £'000	1997 £'000
Raw materials and consumables	-	4

10. DEBTORS

	1998 £'000	1997 £'000
Trade debtors	673	1,514
Amounts owed by group undertakings	1,187	152
Prepayments and accrued income	212	438
Other debtors	-	222
	<u>2,072</u>	<u>2,326</u>

WASTENOTTS (RECLAMATION) LIMITED
NOTES TO THE ACCOUNTS (CONTINUED)

11. SHORT-TERM BORROWINGS

	1998 £'000	1997 £'000
Repayable within one year or on demand:		
Bank loans and overdrafts	15	187
Finance leases	83	36
	<u>98</u>	<u>223</u>

12. LONG-TERM BORROWINGS

	1998 £'000	1997 £'000
MATURITIES		
Repayable by instalments and maturing after five years:		
Finance leases	6,489	6,613
	<u>6,489</u>	<u>6,613</u>
REPAYMENTS		
Between one and two years	119	72
Between two and five years	612	440
After five years	5,758	6,101
	<u>6,489</u>	<u>6,613</u>

13. OTHER CREDITORS

	1998 £'000	1997 £'000
Trade creditors	423	170
Amounts owed to group undertakings	88	995
Social security and payroll deductions	-	130
Other creditors	156	78
Accruals	-	1
Proposed dividend	-	200
	<u>667</u>	<u>1,574</u>

14. DEFERRED TAXATION

The full potential deferred taxation for which no provision has been made is as follows:

	1998 £'000	1997 £'000
Accelerated capital allowances	716	706
Losses	(106)	(113)
	<u>610</u>	<u>593</u>

These amounts have been calculated at 31% (1997: 33%)

WASTENOTTS (RECLAMATION) LIMITED
NOTES TO THE ACCOUNTS (CONTINUED)

15. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred taxation £'000	Other £'000	Total £'000
At 1 April 1997	-	268	268
Expenditure in the year	-	(6)	(6)
Charged (credited) in profit and loss account	-	489	489
	<u>-</u>	<u>489</u>	<u>489</u>
At 31 March 1998	<u>-</u>	<u>751</u>	<u>751</u>

16. CALLED UP SHARE CAPITAL

	1998 Number	1998 Nominal value £	1997 Number	1997 Nominal value £
AUTHORISED				
Ordinary shares of £1 each	<u>7,000,000</u>	<u>7,000,000</u>	<u>7,000,000</u>	<u>7,000,000</u>
ALLOTTED, CALLED UP AND FULLY PAID				
Ordinary shares of £1 each	<u>6,295,500</u>	<u>6,295,500</u>	<u>6,295,500</u>	<u>6,295,500</u>

17. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	Called up share capital £'000	Profit and loss account £'000	Total £'000
At 1 April 1996	6,296	(315)	5,981
Profit for the financial year		515	515
Dividends		(200)	(200)
	<u>6,296</u>	<u>-</u>	<u>6,296</u>
At 1 April 1997	6,296	-	6,296
Loss for the financial year		(21)	(21)
Dividends		-	-
	<u>6,296</u>	<u>(21)</u>	<u>6,275</u>
At 31 March 1998	<u>6,296</u>	<u>(21)</u>	<u>6,275</u>

WASTENOTTS (RECLAMATION) LIMITED
NOTES TO THE ACCOUNTS (CONTINUED)

18. COMMITMENTS

At 31 March 1998 the company was committed to making the following payments during the next financial year under non-cancellable operating leases expiring as set out below:-

Plant and Machinery	1998 £'000	1997 £'000
Within one year	2	3
Between two and five years	-	2
	<u>2</u>	<u>5</u>

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

	1998 £'000	1997 £'000
Within one year	675	650
Between two and five years	2,984	2,869
After five years	8,730	9,520
	<u>12,389</u>	<u>13,039</u>

19. CONTINGENT LIABILITIES

In the normal course of business the company has issued cross guarantees in respect of certain obligations of its immediate parent company.

WASTENOTTS (RECLAMATION) LIMITED
NOTES TO THE ACCOUNTS (CONTINUED)

20. DIRECTORS AND THEIR INTERESTS

	1998 £'000	1997 £'000
Directors' emoluments including pension contributions	-	-

The directors were remunerated as directors or employees of other group companies. None of the directors received any remuneration in respect of their services to the company.

Four directors are members of a defined benefit pension scheme and none are members of a defined contribution pension scheme.

The interests of the directors, holding office at 31 March 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 March 1998	At 31 March 1997 or later date of appointment	At 31 March 1998	At 31 March 1997 or later date of appointment
C Boyes	11,257	10,993	-	1,746
T C A Diggle	-	-	6,966	6,966
D M Ellis	-	-	-	-
R S Tomlinson	-	-	-	-

During the year Mr Boyes exercised options over 1,746 ordinary shares at an exercise price of 207.5p per share.

There were no directors' interests in WasteNotts (Reclamation) Limited requiring disclosure under the Companies Act 1985.

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