

BDR Waste Disposal Limited
DIRECTORS' REPORT AND ACCOUNTS

for the year ended

31 December 1999

(Registered Number 2692495)



BDR Waste Disposal 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 disposal of domestic and commercial waste and the management of household waste sites.

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 £914,000 (nine months ended 31 December 1998: profit £593,000). The Directors therefore do not recommend the payment of a dividend (nine months ended 31 December 1998: £13,000) and thus the deficit of £914,000 (nine months ended 31 December 1998: profit £580,000) has been transferred to reserves.

Directors and their interests

The Directors who served during the year were:

JM Huntington	(appointed 20 October 1999)
TMH Barnes	(resigned 30 September 1999)
PN Darwin	(appointed 21 April 1999)
R Kelly	(resigned 10 February 1999)
A McKay	
RH Noble	
RS Tomlinson	
WA Trendell	(appointed 20 October 1999)
WR Warnett	(resigned 5 March 1999)
M Wood	

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 23.

BDR Waste Disposal 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

BDR Waste Disposal 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.

BDR Waste Disposal Limited

Report of the auditors to the members of BDR Waste Disposal Limited

We have audited the financial statements on pages 5 to 22 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 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.

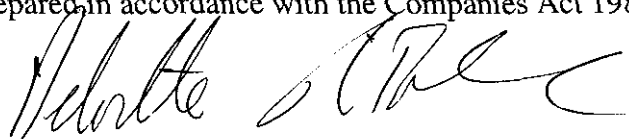
Basis of opinion

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

BDR Waste Disposal Limited

Profit and loss account for the year ended 31 December 1999

		Year Ended 31 December 1999 £'000	* Restated Nine Months Ended 31 December 1998 £'000
	Notes		
Turnover – continuing operations	2	13,823	9,894
Cost of Sales		(11,022)	(7,197)
Gross Profit		2,801	2,697
Admin Expenses		(2,450)	(1,711)
Operating profit – continuing operations	3	351	986
Net interest payable	5	(60)	(19)
Profit on ordinary activities before taxation		291	967
Tax on profit on ordinary activities	6	(1,205)	(374)
(Loss)/profit for the financial period		(914)	593
Dividends	7	-	(13)
Retained (loss)/profit for the financial period	16	(914)	580

* Restated (see note 1).

Statement of Total Recognised Gains and Losses


	1999 £'000
Total Recognised Gains and Losses relating to period	(914)
Prior Period Adjustment	263
Surplus on Revaluation of Fixed Assets	619
Total Gains and Losses recognised since last financial statements	(32)

BDR Waste Disposal Limited

Balance sheet at 31 December 1999

		31 December 1999 £'000	Restated 31 December 1998 £'000
	Notes		
Fixed assets			
Tangible assets	8	7,610	6,086
Current assets			
Debtors	9	3,193	2,359
Cash at bank and in hand		-	824
		3,193	3,183
Creditors: amounts falling due within one year			
Short-term borrowings	10	(1,229)	-
Other creditors	11	(3,748)	(4,257)
		(4,977)	(4,257)
Net current liabilities		(1,784)	(1,074)
Total assets less current liabilities		5,826	5,012
Provisions for liabilities and charges	13	(2,038)	(1,518)
Deferred tax asset	14	-	589
Net assets		3,788	4,083
Capital and reserves			
Called up share capital	15	1,850	1,850
Profit and loss account	16	1,319	2,233
Revaluation reserve	16	619	-
Equity shareholders' funds		3,788	4,083

Restated due to FRS 12 (see note 1).


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WA Trendell

DIRECTOR

BDR Waste Disposal Limited

Cash flow statement for the year ended 31 December 1999

		Year Ended 31 December 1999 £'000	Nine months ended 31 December 1998 £'000
	Notes		
Net cash inflow from continuing operating activities	17	2,199	3,768
Returns on investments and servicing of finance			
Interest (paid)/received		(8)	33
Net cash (outflow)/inflow from returns on investments and servicing of finance		(8)	33
Taxation			
UK corporation tax paid		(277)	-
Capital Expenditure and Financial Investment			
Purchase of tangible fixed assets		(4,182)	(2,761)
Sale of tangible fixed assets		298	-
Restoration and aftercare expenditure		(70)	-
Net cash outflow from investing activities		(3,954)	(2,761)
Equity Dividends paid		(13)	(251)
(Decrease)/increase in cash	19	(2,053)	789

BDR Waste Disposal 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 as modified by the revaluation of freehold/leasehold properties.

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
Freehold landfill sites, leasehold properties and licence agreements	-	over the expected life of each site
Leased assets	-	over the term of the lease
Plant and equipment	-	over 3 to 20 years
Motor vehicles	-	over 4 years

No depreciation is provided for on freehold land.

Freehold landfill sites and leasehold properties include site engineering costs which are depreciated over the life of each site in proportion to the rate of landfill. All other assets are depreciated on a straight line basis.

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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.

Certain employees of the company are members of the LAWDC's pension scheme in which the company is a participating employer. This scheme provides benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company.

The company also contributes to personal pension schemes of employees who are not members of the LAWDC's pension scheme or the company's defined contribution pension scheme. These contributions are charged to the profit and loss account for the year in which they are payable.

Restoration and Post Closure Monitoring costs

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. Comparative amounts have been restated accordingly. Full provision has been made for the net present value (NPV) of the company's minimum avoidable costs, in respect of restoration liabilities at the company's landfill sites, which has been capitalised in fixed assets. The company continues to provide for all aftercare costs over the life of its landfill sites, based on the volumes of waste deposited in the year, since liabilities in relation to these costs increase as waste is deposited.

All long term provisions for restoration and aftercare costs are calculated based on the NPV of estimated future costs. Current cost estimates are inflated at 3 per cent and discounted at 5 per cent to calculate the NPV. The effects of inflation and the unwinding of the discount element on existing provisions are reflected as a financial item.

The implementation of FRS 12 increased tangible fixed assets by £210,000 at 1 January 1998 and 1 January 1999. Had the previous accounting policy been applied in the current year the impact would have been to reduce tangible fixed assets and provisions by £1,401,000 at 31 December 1999. To give a consistent presentation the element of the provision movement relating to inflation and discounting amounting to £52,000 in the period ended 31 December 1998 has been reclassified in the profit and loss account from cost of sales to a financial item.

FRS 12 does not allow provisions to be made for future depreciation on expenditure not yet incurred. An element of the brought forward provision previously incorrectly classified has been transferred to fixed assets (see note 8) but the remaining element not allowed under FRS 12 has been released to the profit and loss account as a prior period adjustment (see note 16).

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Restoration and Post Closure Monitoring costs

The changes above increased retained earnings at 1 January 1999 by £74,000 but had no material impact on the reported profits in the year to 31 December 1999. The prior period adjustment in respect of the release of the landfill depreciation provision increased retained earnings at 1 January 1999 by £189,000, and therefore this has been reflected accordingly.

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.

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	1,874	1,317
Depreciation – future development costs	-	71
Operating lease rentals – hired plant and machinery	74	46
Auditors' remuneration – audit fees	3	3
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4 Employment costs

	Year Ended 31 December 1999 £'000	Nine months Ended 31 December 1998 £'000
Wages and salaries	922	695
Social security costs	85	68
Other pension costs	85	31
	<u>1,092</u>	<u>794</u>

	Number	Number
The average weekly number of employees (including directors) during the period was:	<u>57</u>	<u>59</u>

Directors Interests include:

	31 December 1999 £'000	31 December 1998 £'000
Directors' emoluments including pension contributions	<u>4</u>	<u>5</u>

Included in the above remuneration are Mr RH Noble and Mr A McKay who are non-executive directors. Mr M Wood is also a non-executive director, but did not receive any remuneration. Other directors are remunerated as directors or employees of the immediate or ultimate parent companies. Included above is £nil (31 December 1998: £nil) in respect of contributions to a money purchase pension scheme.

One director is a member of a defined benefit of pension scheme and three are members of a defined contribution pension scheme.

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5 Net interest payable

	Year Ended 31 December 1999 £'000	Restated Nine months Ended 31 December 1998 £'000
Interest payable on:		
Bank loans and overdrafts	8	-
Unwinding of Discount	52	52
	<hr/>	<hr/>
Interest payable	60	52
Interest receivable	-	(33)
	<hr/>	<hr/>
Net interest payable	60	19
	<hr/>	<hr/>

Restated (see note 1).

6 Tax on 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%)	616	55
Group Relief payment to fellow subsidiary	-	31
Underprovision in previous year	-	6
Deferred taxation	589	282
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	1,205	374
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The directors believe that the deferred taxation asset previously held is no longer required and have therefore written off the full amount to the profit and loss account in the year.

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7 Dividends on equity shares

	Year Ended 31 December 1999 £'000	Nine months Ended 31 December 1998 £'000
Final – proposed	-	13

8 Tangible fixed assets

	Long leasehold land and buildings £'000	As restated Freehold/ Leasehold Properties £'000	Plant and Machinery £'000	Total £'000
Cost				
At 1 January 1999	464	11,305	1,993	13,762
Additions	-	3,636	546	4,182
Disposals	-	-	(455)	(455)
Revaluation	-	(1,170)	-	(1,170)
Impairment	-	(1,554)	-	(1,554)
At 31 December 1999	464	12,217	2,084	14,765
Depreciation				
At 1 January 1999	464	6,372	840	7,676
Charge for year	-	1,602	272	1,874
Disposals	-	-	(157)	(157)
Revaluation	-	(1,789)	-	(1,789)
Impairment	-	(449)	-	(449)
At 31 December 1999	464	5,736	955	7,155
Net book value				
At 31 December 1999	-	6,481	1,129	7,610
At 31 December 1998	-	4,933	1,153	6,086

Restated to reflect the impact of FRS 12 (see note 1).

BDR Waste Disposal Limited

8 Tangible fixed assets

Following a review by the directors on 27 January 1999, accelerated depreciation has been charged on certain items of plant, equipment, vehicles and fixtures and fittings to reflect a reduction in the useful economic lives of the assets. The freehold and leasehold landfill sites were also valued by qualified chartered surveyors on the basis of the net present value of each site, based on an open market royalty rate discounted at 12%. This resulted in the revaluation/impairments shown. For freehold and leasehold landfill sites the comparable figures at 31 December 1999 for historic cost are £11,305,000 and accumulated depreciation £7,663,000.

9 Debtors

	31 December 1999 £'000	31 December 1998 £'000
Trade debtors	1,652	1,439
Amounts owed by group undertakings	-	25
Prepayments and accrued income	505	263
Other debtors:		
Receivable within one year	1,036	632
	<u>3,193</u>	<u>2,359</u>

10 Short-term borrowings

	31 December 1999 £'000	31 December 1998 £'000
Repayable within one year or on demand:		
Bank loans and overdrafts	<u>1,229</u>	<u>-</u>

BDR Waste Disposal Limited

11 Other creditors

	31 December 1999 £'000	31 December 1998 £'000
Amounts falling due within one year		
Trade creditors	326	565
Amounts owed to group undertakings	105	175
Corporation tax	425	86
Other taxation and social security	737	578
Other creditors	2,155	2,840
Proposed dividend	-	13
	<u>3,748</u>	<u>4,257</u>

12 Related party transactions

During the year the company provided waste disposal services to three local authorities which are shareholders holding in total 20% of the equity. Details of the transactions are as follows:

	Year Ended 31 December 1999 £'000	Nine months Ended 31 December 1998 £'000
Waste disposal services included in turnover		
Barnsley MBC	3,067	2,150
Doncaster MBC	4,466	3,131
Rotherham MBC	3,179	2,372
	<u>9,963</u>	<u>7,653</u>

	31 December 1999 £'000	31 December 1998 £'000
Amounts due from related parties at 31 December 1999		
Barnsley MBC	404	330
Doncaster MBC	635	515
Rotherham MBC	327	219
	<u>1,366</u>	<u>1,064</u>

BDR Waste Disposal Limited

12 Related party transactions

No amounts were written off in the year in respect of debts due from related parties and there are no provisions for doubtful debts in respect of the amounts due at the year end.

13 Provisions for liabilities and charges

	Landfill restoration £'000	Landfill aftercare £'000	Landfill depreciation £'000	Other £'000	Total £'000
At 1 January 1999 as previously reported	938	625	1,101	-	2,664
FRS 12 adjustment	-	-	(1,146)	-	(1,146)
At 1 January 1999 as restated	938	625	(45)	-	1,518
Expenditure in the year	(33)	(37)	-	-	(70)
Charged in profit and loss account	181	97	45	215	538
Unwinding of Discount	40	12	-	-	52
At 31 December 1999	1,126	697	-	215	2,038

Restated (see note 1).

BDR Waste Disposal Limited

14 Deferred tax asset

	£'000
At 1 January 1999	589
Movement in the year	(589)
At 31 December 1999	-

	31 December 1999 £'000	31 December 1998 £'000
Deferred tax asset is attributable to:		
Landfill restoration and depreciation	-	589

The full potential deferred tax asset on timing differences, calculated using the liability method at a tax rate of 30% (Nine months ended 31 December 1998: 31%)

	31 December 1999 £'000	31 December 1998 £'000
Landfill restoration and depreciation	132	589

BDR Waste Disposal Limited

15 Called up share capital

	31 December 1999 Number	31 December 1999 Nominal Value £	31 December 1998 Number	31 December 1998 Nominal Value £
Authorised				
Non-voting shares of £1 each	362,408	362,408	362,408	362,408
'A' ordinary shares of 1p each	1,998	20	1,998	20
'B' ordinary shares of 1p each	8,002	80	8,002	80
'C' ordinary shares of £1 each	1,812,040	1,812,040	1,812,040	1,812,040
Deferred ordinary shares of £1 each	37,500	37,500	37,500	37,500
Ordinary shares of £1 each	1,000	1,000	1,000	1,000
Ordinary shares of 1p each	10,000	100	10,000	100
Allotted, called up and fully paid				
'A' ordinary shares of 1p each	1,998	20	1,998	20
'B' ordinary shares of 1p each	8,002	80	8,002	80
'C' ordinary shares of £1 each	1,812,040	1,812,040	1,812,040	1,812,040
Deferred ordinary shares of £1 each	37,500	37,500	37,500	37,500
		1,849,640		1,849,640

The 'A' ordinary and 'B' ordinary shares have all of the voting rights including the right to appoint directors. No voting rights in any circumstances are attached to the 'C' ordinary or 'Deferred' shares.

Neither the 'A', 'B' nor the 'Deferred' shares confer any right to receive any dividend or any other distribution of the company. These shares are therefore classified as non-equity shares.

In the event of a winding up of the company, the 'A' and 'B' shareholders have priority over the other shareholders as to the nominal amounts paid up on their shares. The 'C' shareholders are then due from the remaining assets of the company an amount of £10,000,000 per share.

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16 Reconciliation of shareholders' funds and movement on reserves

	Called up share capital £'000	Profit and loss account £'000	Revaluation reserve £'000	Total £'000
At 1 January 1999 as previously reported	1,850	1,970	-	3,820
FRS 12 adjustment	-	263	-	263
At 1 January 1999 as restated	1,850	2,233	-	4,083
Retained profit for the financial period	-	(914)	-	(914)
Revaluation reserve	-	-	619	619
At 31 December 1999	1,850	1,319	619	3,788

Restated (see note 1).

17 Reconciliation of operating profit to net cash inflow from operating activities

	Year Ended 31 December 1999 £'000	Nine months Ended 31 December 1998 £'000
Operating Profit	351	986
Depreciation	1,874	1,317
Impairments to fixed assets	1,105	-
Provisions for liabilities and charges movement	538	115
(Increase)/decrease in debtors	(834)	243
(Decrease)/increase in creditors	(835)	1,107
	2,199	3,768

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18 Changes in Net Debt and Cashflows

	At 1 January 1999 £'000	Cashflows £'000	At 31 December 1999 £'000
Cash at bank and in hand	824	(824)	-
Bank loans and overdrafts	-	(1,229)	(1,229)
	<u>824</u>	<u>(2,053)</u>	<u>(1,229)</u>

19 Reconciliation of Net Cashflow to Movement in Net Debt

	31 December 1999 £'000	31 December 1998 £'000
(Decrease)/Increase in cash in the year	(2,053)	789
Net cashflow from decrease in lease finance and debt	-	(997)
Changes in net debt	(2,053)	(208)
Net funds at 1 January 1999	824	1,032
Net Debt at 31 December 1999	<u>(1,229)</u>	<u>824</u>

20 Commitments

	31 December 1999 £'000	31 December 1998 £'000
Commitments on capital contracts placed at 31 December	<u>115</u>	<u>434</u>

21 Contingent Liabilities

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

BDR Waste Disposal Limited

22 Pension Contributions

The company operates a defined contribution pension scheme on behalf of certain of its employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

Certain employees of the company are members of the LAWDC's pension scheme in which the company is a participating employer. The company contributes to this scheme which provides benefits based on final pensionable pay, contributions being charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives with the company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent actuarial report was prepared at 31 March 1997. This set out recommended contribution rates based on certain assumptions, the most significant of which related to the rate of return on investments and the rates of increase in earnings and pensions. It was assumed that the differential of investment returns over earnings increases would be 1.75% per annum and that present and future pensions would increase at the rate of 4.5% to 5% per annum. The actuarial value of the scheme's assets at 31 March 1997 was £1,613,200. The scheme had an average funding level of 100% on the minimum funding requirement basis.

As recommended by the scheme actuary, the company is making contributions at 13.0%.

There were no outstanding or prepaid contributions at either the beginning or end of the year.

The contributions to these schemes amounted to:

	Year Ended 31 December 1999 £'000	Nine months Ended 31 December 1998 £'000
Defined contribution scheme	5	-
Defined benefit scheme	80	31
	<hr/> 85 <hr/>	<hr/> 31 <hr/>

BDR Waste Disposal Limited

23 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	-
P Darwin	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	-
P Darwin	2,975	-

24 Ultimate Parent Company

The company's ultimate parent undertaking is Waste Recycling Group plc which is 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