



FINSTOP LIMITED

Report and Financial Statements

31 December 1997



**Deloitte & Touche
10-12 East Parade
Leeds
LS1 2AJ**

**REPORT AND FINANCIAL STATEMENTS 1997**

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REPORT AND FINANCIAL STATEMENTS 1997

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

J M Huntington (Chairman)
A Armitage
D R A Sheppard
P A Rackham

NON EXECUTIVE DIRECTOR

B J Howarth

SECRETARY

A Armitage

REGISTERED OFFICE

Darrington Leys
Cridling Stubbs
Knottingley
WF11 0AH

BANKERS

Barclays Bank plc
1 Wood Street
Wakefield
WF1 2EA

SOLICITORS

Eversheds
Cloth Hall Court
Infirmary Street
Leeds
LS1 2JB

AUDITORS

Deloitte & Touche
Chartered Accountants
10-12 East Parade
Leeds
LS1 2AJ

**DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the period ended 31 December 1997.

ACTIVITIES

The company's principal activity is to act as holding company for a subsidiary engaged in the business of stone quarrying, landfill management and electricity generation. The directors regard these activities as a single class of business.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The directors are satisfied with the results for the year and optimistic for the future prospects of the business. During the year, the entire share capital of the company was acquired by Waste Recycling Group plc.

DIVIDENDS AND TRANSFERS TO RESERVES

The profit for the financial period amounted to £309,000 (28 February 1997: £139,000). The final dividends paid during the year totalled £187,000 (28 February 1997: £43,000). An interim dividend of £152,000 (28 February 1997: £Nil) was paid during the period. After payment of the final dividend the retained loss for the period of £30,000 (28 February 1997 profit : £96,000) is transferred to reserves.

FIXED ASSETS

Changes in the Company's fixed assets during the period are described in note 7 to the accounts.

DIRECTORS AND THEIR INTERESTS

The directors who served throughout the period were as follows:

J M Huntington
A Armitage

D R A Sheppard and P A Rackham were appointed as directors on 9 October 1997.

The interests of the directors in the shares of the company at 31 December 1997 and 28 February 1997 were:

		Ordinary shares of £1 each	
		31 December 1997	28 February 1997
		Number	Number
J M Huntington	- Beneficial	-	67,500
	- Non-beneficial	-	7,500
A Armitage	- Beneficial	-	67,500
	- Non beneficial	-	7,500

D R A Sheppard and P A Rackham are Directors of the ultimate parent company, Waste Recycling Group plc. Their interests in the share capital of the ultimate parent are disclosed in its financial statements. J M Huntington and A Armitage each had non-beneficial interests in 100,000 ordinary shares of 25 pence each of the ultimate parent company.

Other than as disclosed above, the directors had no interest in shares of any group undertaking at 31 December 1997.

INSURANCE OF DIRECTORS

The company maintains insurance for the directors in respect of their duties as directors of the company.



DIRECTORS' REPORT

AUDITORS

Coopers & Lybrand resigned as auditors during the period and Deloitte & Touche were appointed in their place.

Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board

A Armitage

Secretary

1998

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Company law requires the directors to prepare financial statements 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 financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements 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.



Chartered Accountants

Deloitte & Touche
10-12 East Parade
Leeds LS1 2AJ

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DX 26423

AUDITORS' REPORT TO THE MEMBERS OF

FINSTOP LIMITED

We have audited the financial statements on pages 6 to 13 which have been prepared under the accounting policies set out on page 9.

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 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 as at 31 December 1997 and of its profit for the ten month period then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Chartered Accountants
and Registered Auditors

7 July 1998


PROFIT AND LOSS ACCOUNT
 Period ended 31 December 1997

	Note	10 months ended 31 December 1997 £'000	11 months ended 28 February 1997 £'000
Administrative expenses		18	21
OPERATING LOSS		(18)	(21)
Income from shares in group companies		1,400	789
Interest payable and similar charges	3	(1,583)	(629)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	(201)	139
Tax on (loss)/profit on ordinary activities	5	(510)	-
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL YEAR		309	139
Dividends	6	(339)	(43)
(LOSS)/PROFIT RETAINED AND TRANSFERRED TO RESERVES	12	(30)	96

Operating losses above relate to continuing activities.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

The group has no recognised gains and losses other than the profits above for the current and prior periods and therefore no separate statement of total recognised gains and losses has been presented.

NOTE OF HISTORICAL COST PROFITS AND LOSSES

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



RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Period ended 31 December 1997

	10 months ended 31 December 1997 £'000	11 months ended 28 February 1997 £'000
Profit for the financial period	309	139
Dividends	(339)	(43)
	<hr/>	<hr/>
	(30)	96
New share capital issued	188	375
Expenses of share issue	-	(96)
	<hr/>	<hr/>
Net addition to shareholders' funds	158	375
Opening shareholders' funds	375	-
	<hr/>	<hr/>
Closing shareholders' funds	533	375
	<hr/>	<hr/>


BALANCE SHEET
31 December 1997

	Note	31 December 1997 £'000	28 February 1997 £'000
FIXED ASSETS			
Investments	7	16,696	16,696
		<u>16,696</u>	<u>16,696</u>
CURRENT ASSETS			
Debtors	8	968	789
		<u>968</u>	<u>789</u>
CREDITORS: amounts falling due within one year	9	(3,846)	(4,738)
NET CURRENT LIABILITIES		<u>(2,878)</u>	<u>(3,949)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		13,818	12,747
CREDITORS: amounts falling due after more than one year	10	(13,285)	(12,372)
		<u>533</u>	<u>375</u>
CAPITAL AND RESERVES			
Called up share capital	11	563	375
Profit and loss account	12	(30)	-
TOTAL SHAREHOLDERS' FUNDS		<u>533</u>	<u>375</u>
Analysis of shareholders' funds			
Equity		420	150
Non-equity		113	225
		<u>533</u>	<u>375</u>

These financial statements were approved by the Board of Directors on
 Signed on behalf of the Board of Directors

1998.

J M Huntington
 Director


NOTES TO THE ACCOUNTS
Period ended 31 December 1997
1. 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.

Investments

Investments are stated at cost less provision for any permanent diminution in value.

Deferred taxation

Deferred taxation is provided on timing differences, arising from the different treatment of items for accounts and taxation purposes, which are expected to reverse in the future, calculated at rates at which it is estimated that tax will arise.

2. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	10 months ended 31 December 1997 £'000	11 months ended 28 February 1997 £'000
Directors emoluments:		
Fees	12	5
Other emoluments (including pension contributions and benefits in kind)	-	-
	<u>-</u>	<u>-</u>

There are no other staff costs (eleven months ended 28 February 1997: Nil).

3. INTEREST PAYABLE AND SIMILAR CHARGES

	10 months ended 31 December 1997 £'000	11 months ended 28 February 1997 £'000
Debt financing costs	541	62
On group loans	258	-
On bank loans and overdrafts	784	567
	<u>1,583</u>	<u>629</u>



NOTES TO THE ACCOUNTS
Period ended 31 December 1997

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	10 months ended 31 December 1997 £'000	11 months ended 28 February 1997 £'000
Profit on ordinary activities before taxation is stated after charging:		
Auditors' remuneration - Audit	2	-

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	10 months ended 31 December 1997 £'000	11 months ended 28 February 1997 £'000
United Kingdom corporation tax at 33% (1997 - 33%) based on the profit for the year	(510)	-
Deferred taxation	-	-
	(510)	-

There is no unprovided deferred tax

The tax credit is disproportionate to the loss for the year, principally as a result of non-taxable dividend income received from subsidiary companies.

6. DIVIDENDS

	10 months ended 31 December 1997 £'000	11 months ended 28 February 1997 £'000
Non-equity		
Interim paid of 67.556 pence per 'A' ordinary share of £1 each	152	-
Final paid of 50 pence per 'A' ordinary share of £1 each (28 February 1997: nil)	112	-
	264	-
Equity		
Final paid of 50 pence per ordinary share of £1 each (28 February 1997: 19 pence)	75	43
	339	43


NOTES TO THE ACCOUNTS
Period ended 31 December 1997
7. FIXED ASSET INVESTMENT

Company	Shares in subsidiary undertakings £'000
Cost and net book value	
At 1 March 1997	16,696
Additions	-
At 31 December 1997	<u>16,696</u>

Details of the company's subsidiary undertakings are provided below:

	Country of incorporation	Description of shares held	Proportion of issued shares held %
Darrington Quarries Limited	Great Britain	Ordinary shares of £1	100-

Darrington Quarries Limited is involved in stone quarrying, landfill management and electricity generation. Consolidated financial statements have not been prepared as the company is itself wholly owned by a company which publishes financial statements under UK legislation.

8. DEBTORS

	31 December 1997 £'000	28 February 1997 £'000
Amounts falling due within one year		
Other debtors	<u>968</u>	<u>789</u>

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 December 1997 £'000	28 February 1997 £'000
Bank loans and overdrafts	-	848
Amounts owed to parent company	258	-
Amounts owed to subsidiary undertaking	3,583	3,767
Accruals	5	80
Dividends payable	-	43
	<u>3,846</u>	<u>4,738</u>


NOTES TO THE ACCOUNTS
Period ended 31 December 1997
10. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	31 December 1997 £'000	28 February 1997 £'000
Group loan repayable between two and five years	13,285	-
Bank loans and overdrafts repayable		
Between one and two years	-	821
Between two and five years	-	4,364
In five years or more	-	7,187
	<u>13,285</u>	<u>12,372</u>

The group loan is convertible at the option of the ultimate parent company into ordinary shares of £1 each. The number of shares to be issued being such that the nominal value of shares issued is equal to the amount outstanding, including any accrued interest at the date of conversion.

11. CALLED UP SHARE CAPITAL

	31 December 1997 £'000	28 February 1997 £'000
Authorised, allotted, called up and fully paid		
300,000 (28 February 1997 : 150,000) Ordinary shares of £1 each	300	150
Nil (28 February 1997: 225,000) 'A' Ordinary shares of £1 each	-	225
15,000,000 (28 February 1997 : nil) Ordinary shares of £0.01 each	150	-
75,000 (28 February 1997: nil) Deferred shares of £1 each	75	-
3,750,000 (28 February 1997: nil) Deferred shares of £0.01 each	38	-
	<u>563</u>	<u>375</u>
Analysis of non-equity shares		
225,000 'A' Ordinary shares of £1 each	-	225
75,000 Deferred shares of £1 each	75	-
3,750,000 Deferred shares of £0.01 each	38	-
	<u>113</u>	<u>225</u>

The deferred shares do not carry any rights to receive payment of dividend or any right to receive notice of or to attend and vote at any general meeting of the company. On a return of assets on winding up, the deferred shares are entitled solely to repayment of amounts fully paid.

On 2 September 1997 the company increased its authorised share capital by the creation of 11,250,000 'A' ordinary shares of £0.01 each and 7,500,000 ordinary shares of £0.01 each. These were allotted to the existing shareholders on 9 September 1997 by way of a scrip dividend.

On 8 October 1997 by a special resolution, the 'A' ordinary shares of £0.01 each were redesigned as 7,500,000 ordinary shares of £0.01 each and 3,750,000 deferred shares of £0.01 each. At the same date, the 'A' ordinary shares of £1 each were redesignated as 150,000 ordinary shares of £1 each and 75,000 deferred shares of £1 each.



NOTES TO THE ACCOUNTS
Period ended 31 December 1997

12. RESERVES

	Profit and loss account £'000
At 1 March 1997	
Retained loss for the financial period	-
	(30)
At 31 December 1997	<u>(30)</u>

13. FINANCIAL COMMITMENTS

	31 December 1997 £'000	28 February 1997 £'000
Capital commitments		
Contracted for but not provided	<u>-</u>	<u>-</u>

14. CONTINGENT LIABILITIES

The company and its subsidiaries have given unlimited guarantees in favour of the group's bankers and loan providers in respect of all monies due from the company's parent undertaking and its subsidiaries.

At 31 December 1997, borrowings under these guarantees totalled £8,921,000. The directors do not expect a loss to arise as a result of these guarantees.

15. ULTIMATE PARENT COMPANY

The directors regard Waste Recycling Group plc, a company incorporated in Great Britain, as the ultimate parent company. Copies of the ultimate parent's consolidated financial statements may be obtained from Waste Recycling Group plc, Manor Farm, Bridgham, Norwich, Norfolk NR16 2RX.

16. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption contained in Financial Reporting Standard 8, not to disclose transactions with other group companies as it is itself a wholly owned subsidiary of a company registered in England and Wales.