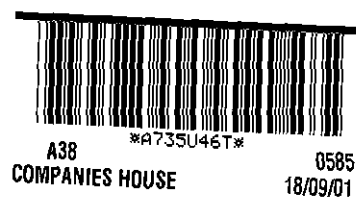


LANDFILL MANAGEMENT LIMITED

Report and Financial Statements

31 December 2000



REPORT AND FINANCIAL STATEMENTS 2000

CONTENTS

Page

Officers and professional advisers	1
Directors' report	2
Statement of Directors' responsibilities	3
Auditors' report	4
Profit and loss account	5
Balance sheet	6
Notes to the financial statements	7

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

W A Trendell
N D A Sandy
S N Jennings

SECRETARY

A Waterhouse

REGISTERED OFFICE

3 Sidings Court
White Rose Way
Doncaster
DN4 5NU

BANKERS

Lloyds TSB Bank plc
Corporate & Institutional Banking
PO Box 787
6-8 Eastcheap
London
EC3M 1LL

SOLICITORS

Walker Morris
Kings Court
12 King Street
Leeds
LS1 2HL

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 9 month period ended 31 December 2000.

PRINCIPAL ACTIVITY

The principal activity of the company is the handling, recycling and disposal of waste materials.

REVIEW OF DEVELOPMENTS

The entire share capital of the company was acquired by 3C Waste Limited, a wholly owned subsidiary of Waste Recycling Group Plc on 17 November 2000. The results of the company for the period are set out on page 5. In the opinion of the directors the company has traded satisfactorily during the period and trading is expected to continue at similar levels in the current year.

DIVIDENDS AND TRANSFERS TO RESERVES

The directors do not propose payment of a dividend (year ended 31 March 2000: £nil). The loss of £389,000 (year ended 31 March 2000: loss £1,523,000) is transferred from reserves.

DIRECTORS AND THEIR INTERESTS

The directors who served during the period were as follows:

W A Trendell	(appointed 17 November 2000)
J M Huntington	(appointed 17 November 2000, resigned 4 April 2001)
N D A Sandy	(appointed 14 May 2001)
S N Jennings	(appointed 4 April 2001)
J G Valentine	(resigned 17 November 2000)
N Turner	(resigned 17 November 2000)
M H Gallagher	(resigned 17 November 2000)
A Postlewaite	(resigned 17 November 2000)
M P Honor	(resigned 17 November 2000)

None of the directors held an interest in the share capital of the company during the period.

JM Huntington and WA Trendell are directors of the company's parent company, Waste Recycling Group plc. Their interests in the share capital of Waste Recycling Group plc are disclosed in the financial statements of that company.

CHARITABLE AND POLITICAL DONATIONS

During the period the company has contributed £31,122 (year ended 31 March 2000: £39,133) of its landfill tax liability to approved environmental bodies, as permitted by government regulations.

AUDITORS

KPMG resigned as auditors on 17 November 2000 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 Waterhouse
Company Secretary

3 September 2001

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; and
- 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.

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



WA Trendell
Director

3 September 2001



LANDFILL MANAGEMENT LIMITED

AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 5 to 12 which have been prepared under the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements, which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. 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 United Kingdom 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 2000 and of its loss for the nine month period then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Chartered Accountants and
Registered Auditors

13 September 2001

PROFIT AND LOSS ACCOUNT
9 month period ended 31 December 2000

		Nine months ended 31 December 2000 £'000	Year ended 31 March 2000 £'000
	Note		
TURNOVER	2	2,369	3,179
Cost of sales - normal		(2,367)	(3,562)
- exceptional		-	(941)
Total cost of sales		<u>(2,367)</u>	<u>(4,503)</u>
GROSS PROFIT/(LOSS)		2	(1,325)
Administrative expenses		(449)	(225)
OPERATING LOSS	3	<u>(447)</u>	<u>(1,549)</u>
Interest receivable and similar income	5	63	60
Interest payable and similar charges	6	(5)	(34)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>(389)</u>	<u>(1,523)</u>
Tax on loss on ordinary activities	7	-	-
RETAINED LOSS FOR THE FINANCIAL PERIOD/YEAR		<u>(389)</u>	<u>(1,523)</u>
Retained loss brought forward		<u>(4,435)</u>	<u>(2,912)</u>
Retained loss carried forward		<u><u>(4,824)</u></u>	<u><u>(4,435)</u></u>

All results derive from continuing operations.

There are no recognised gains and losses for the current financial period or the preceding financial year other than as stated in the profit and loss account.

BALANCE SHEET
31 December 2000

	Note	31 December 2000 £'000	31 March 2000 £'000
FIXED ASSETS			
Tangible assets	8	171	430
CURRENT ASSETS			
Debtors	9	785	998
Cash at bank and in hand		1,701	689
Special deposits	10	-	990
		<u>2,486</u>	<u>2,677</u>
CREDITORS: amounts falling due within one year	11	<u>(1,679)</u>	<u>(720)</u>
NET CURRENT ASSETS		<u>807</u>	<u>1,957</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>978</u>	<u>2,387</u>
PROVISIONS FOR LIABILITIES AND CHARGES	12	<u>(4,682)</u>	<u>(5,702)</u>
		<u>(3,704)</u>	<u>(3,315)</u>
CAPITAL AND RESERVES			
Called up share capital	13	1,120	1,120
Profit and loss account		(4,824)	(4,435)
EQUITY SHAREHOLDERS' FUNDS		<u>(3,704)</u>	<u>(3,315)</u>

These financial statements were approved by the Board of Directors on 3 September 2001.

Signed on behalf of the Board of Directors



W A Trendell
Director

NOTES TO THE FINANCIAL STATEMENTS
Nine month period ended 31 December 2000**1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Cash flow exemption

The company has taken advantage of the exemption, conferred by Financial Reporting Standard 1 (Revised), from presenting a cash flow statement as it is a wholly owned subsidiary of a group which prepares a consolidated cash flow statement.

Turnover

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

Fixed assets and depreciation

Tangible fixed assets are shown at cost.

Depreciation is provided on tangible fixed assets in use at rates calculated to write off the cost less residual value of assets as follows:

Premium on lease	- over life of asset
Landfill sites	- over the expected life of each site
Plant and machinery	- 15-25% per annum
Fixtures and fittings	- 15-25% per annum

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

Finance leases

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 charge 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 leasing commitments for each accounting period.

All other leases are 'operating leases' and the relevant annual rentals are charged to the profit and loss account on a straight line basis over the lease term.

Pensions

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

Restoration costs and post closure monitoring

Full provision is made for the net present value (NPV) of the company's minimum unavoidable costs, in respect of restoration liabilities at the company's landfill site, which has been capitalised in tangible fixed assets. The company continues to provide for all after-care costs over the life of its landfill site, 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 after-care costs are calculated based on the NPV of estimated future costs. Current cost estimates are inflated at 3% and discounted at 5% to calculate the NPV. The effects of inflation and the unwinding of discount element on existing provisions are reflected as a financial item.

Deferred taxation

Deferred taxation is provided on the liability method on all timing differences to the extent that they are expected to reverse in the foreseeable future, calculated at the rate at which it is estimated that tax will be payable.

NOTES TO THE FINANCIAL STATEMENTS

Nine month period ended 31 December 2000

2. TURNOVER

All turnover was generated in the United Kingdom from the handling, recycling and disposal of waste materials.

3. OPERATING LOSS

	Nine months ended 31 December 2000 £'000	Year ended 31 March 2000 £'000
Operating loss is after charging:		
Auditors' remuneration:		
Audit	8	6
Other services	-	9
Depreciation and other amounts written off tangible fixed assets:		
Normal	243	1,100
Exceptional	-	947
Operating leases - hired plant and machinery	201	49

The exceptional charge in the prior year relates to recognition of the impairment loss arising on the carrying value of the active landfill site and associated plant and equipment following a review performed in accordance with FRS11: Impairment of Fixed Assets and Goodwill. Of this charge £941,625 is included within cost of sales and £5,669 is included within administrative expenses. The impairment loss is measured by reference to the value in use of the site and associated plant and equipment for which an annual discount rate of 7.9% was applied.

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	Nine months ended 31 December 2000 £'000	Year ended 31 March 2000 £'000
Emoluments of directors		
Remuneration	10	16
Pension contributions	-	-
	10	16

No director of Waste Recycling Group plc received remuneration or other benefits through Landfill Management Limited during the period.

Average number of persons employed by the company in the period/year:	No	No
Site operatives	18	21
Administration	11	11
	29	32
Staff costs incurred during the period/year in respect of these employees were:	£'000	£'000
Wages and salaries	364	483
Social security costs	26	34
Other pension costs	20	23
	410	540

NOTES TO THE FINANCIAL STATEMENTS

Nine month period ended 31 December 2000

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	Nine months ended 31 December 2000 £'000	Year ended 31 March 2000 £'000
Bank interest	63	60

6. INTEREST PAYABLE AND SIMILAR CHARGES

	Nine months ended 31 December 2000 £'000	Year ended 31 March 2000 £'000
Other loans	5	34

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	Nine months ended 31 December 2000 £'000	Year ended 31 March 2000 £'000
UK corporation tax at 30% (year ended 31 March 2000: 30%)	-	-
Deferred taxation	-	-

8. TANGIBLE FIXED ASSETS

	Freehold property £'000	Plant and machinery £'000	Fixtures, fittings tools and equipment £'000	Total £'000
Cost				
At 1 April 2000	8,691	183	67	8,941
Additions	-	66	1	67
Disposals	(3,346)	-	-	(3,346)
At 31 December 2000	5,345	249	68	5,662
Depreciation				
At 1 April 2000	8,268	178	65	8,511
Charge for the period	239	3	1	243
Eliminated on disposals	(3,263)	-	-	(3,263)
At 31 December 2000	5,244	181	66	5,491
Net book value				
At 31 December 2000	101	68	2	171
At 31 March 2000	423	5	2	430

NOTES TO THE FINANCIAL STATEMENTS

Nine month period ended 31 December 2000

8. TANGIBLE FIXED ASSETS (continued)

The net book value of freehold property includes £25,596 (31 March 2000: £226,000) in respect of a long leasehold premium.

9. DEBTORS

	31 December 2000 £'000	31 March 2000 £'000
Trade debtors	660	396
Other debtors	66	-
Prepayments and accrued income	59	602
	<u>785</u>	<u>998</u>

10. SPECIAL DEPOSITS

	31 December 2000 £'000	31 March 2000 £'000
Special deposits	-	990
	<u>-</u>	<u>990</u>

These special deposits represent monies, under agreements with the Wigan Metropolitan Borough Council, placed on special deposit in anticipation of expenditure on restoration and environment impairment on landfill sites. Access to these funds is by authorised signature of both the company and Wigan Metropolitan Borough Council.

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 December 2000 £'000	31 March 2000 £'000
Trade creditors	242	68
Amounts owed to group undertakings	1,198	-
Taxes and social security	232	518
Other creditors	-	122
Accruals and deferred income	7	12
	<u>1,679</u>	<u>720</u>

12. PROVISIONS FOR LIABILITIES AND CHARGES

	Restoration and after-care £'000
At 1 April 2000	5,702
Liabilities transferred to Wigan MBC	(842)
Expended in year	(178)
At 31 December 2000	<u>4,682</u>

NOTES TO THE FINANCIAL STATEMENTS

Nine month period ended 31 December 2000

12. PROVISIONS FOR LIABILITIES AND CHARGES (continued)

Deferred taxation

There are no amounts of deferred taxation provided in either the current financial period or preceding financial year.

The amounts of deferred taxation not provided in the accounts are as follows:

	2000 £'000	1999 £'000
Capital allowances in excess of depreciation	33	-
Other	(2,178)	-
	<u>(2,145)</u>	<u>-</u>

13. CALLED UP SHARE CAPITAL

	31 December 2000 £'000	31 March 2000 £'000
Authorised: 2,000,000 Ordinary shares of £1 each	<u>2,000</u>	<u>2,000</u>
Allotted, called up and fully paid: 1,120,000 Ordinary shares of £1 each	<u>1,120</u>	<u>1,120</u>

14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Nine months ended 31 December 2000 £'000	Year ended 31 March 2000 £'000
Loss the financial period/year	(389)	(1,523)
Opening shareholders' funds	<u>(3,315)</u>	<u>(1,792)</u>
Closing shareholders' funds	<u>(3,704)</u>	<u>(3,315)</u>

15. CONTINGENT LIABILITIES

- a) The company has entered into unlimited cross-guarantees with its bankers relating to the borrowings of other group companies, amounting to £31,581,000 (31 March 2000: £Nil) at 31 December 2000.
- b) The company is a member of a group VAT registration and as such has contingent liabilities for VAT in respect of other members of the group.

16. OPERATING LEASE COMMITMENTS

At 31 December 2000 the company was committed to making the following payments during the next year in respect of operating leases.

	31 December 2000 £'000	31 March 2000 £'000
Plant and machinery		
Operating leases which expire in the next year	<u>-</u>	<u>16</u>

NOTES TO THE FINANCIAL STATEMENTS

Nine month period ended 31 December 2000

17. ULTIMATE PARENT COMPANY

The ultimate parent company of Landfill Management Limited is Waste Recycling Group plc, a company incorporated in England and Wales. Copies of the group financial statements of Waste Recycling Group plc are available from Waste Recycling Group plc, 3 Sidings Court, White Rose Way, Doncaster, DN4 5NU. The immediate controlling party is 3C Waste Limited.

18. RELATED PARTY TRANSACTIONS

In the ordinary course of business, the company has traded with its ultimate parent company, Waste Recycling Group plc for the period since acquisition. The company is exempt from disclosing details of these transactions because copies of Waste Recycling Group plc group financial statements are publicly available.