

WASTEPACK UK LIMITED

REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 JANUARY 2002

Registered Number SC174113



WASTEPAK UK LIMITED

DIRECTORS AND ADVISERS FOR THE YEAR ENDED 31 JANUARY 2002

Chairman

B P Van Danzig

Secretary

L Cullis

Registered Office

Bruntsfield House
6 Bruntsfield Terrace
Edinburgh
Scotland
EH10 4EX

Auditors

PricewaterhouseCoopers
10 Bricket Road
Herts
AL1 3JX

Solicitors

Pellys
The Old Monastery
Windhill
Bishop's Stortford
Hertfordshire
CM23 2ND

Bankers

Lloyds Bank Plc
17/23 Coventry Street
Nunneaton
Warwickshire
CV11 5TD

WASTEPAK UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 JANUARY 2002

The directors present their report and the audited financial statements for the year ended 31 January 2002.

Principal activities

The principal activity of the company was that of a packaging material compliance scheme and recycle broker. There has been no significant change in activities during the year.

Review of business and future developments

The directors anticipate no significant change in the company's activities in the foreseeable future.

Following the end of the financial year, the Scottish Minister has informed Wastepack UK Ltd that a review will be conducted into the approval of the Wastepack UK Ltd Great Britain compliance scheme for the future. It is the judgement of the directors, having taken into account, legal and other appropriate advice, that the outcome of the review is likely to be in Wastepack UK Ltd's favour. It is anticipated that this review will be concluded in mid 2003

Results and dividends

The results for the year are shown in the profit and loss account on page 5. No dividends were paid or proposed in the year (2001: £66,000).

The company's balance sheet as detailed on page 6 shows a net liabilities position with a deficit on shareholders' funds amounting to £220,000 (2001: funds of £422,000).

Directors and their interests

The directors of the company during the year were as follows:

B P Van Danzig
E Jeffrey
K Sage (appointed 9 April 2002)
P Ashworth (appointed 22 February 2002)

WASTEPAK UK LIMITED

Directors and their interests (Continued)

The directors of the company who had shares in the parent company, the Wastepack Group Limited, were as follows:

	Ordinary A shares	Deferred shares	31 January 2001 and 2002 Total Shares
B P Van Danzig	441,000	8,000	449,000

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 and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

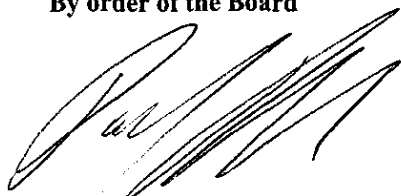
- Select suitable accounting policies and apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed and explained in the financial statements.
- Prepare the financial statements on the going concern basis 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 us 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.

Auditors

PricewaterhouseCoopers have indicated their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the annual general meeting.

By order of the Board



Director



SECRETARY

20 November 2002

WASTEPACK UK LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF WASTEPACK UK LIMITED

We have audited the financial statements on pages 5 to 19 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

The directors are responsible for preparing the Annual Report. As described on page 3, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you, if, in our opinion, the directors report is not *consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors remuneration and transactions is not disclosed.*

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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 circumstances of the company, 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

Fundamental uncertainty

In forming our opinion we have considered the adequacy of the disclosures made in the financial statements concerning the basis of preparation. The financial statements have been prepared on a going concern basis and the validity of this depends on the outcome of the Scottish Minister's review into the Wastepack UK Ltd Great Britain packaging waste compliance scheme ("the Scheme") operated by the company. Details of the circumstances relating to this matter are described in note 1. The financial statements do not include any adjustments that would result from an adverse outcome that led to the removal of the approval of the Scheme. Our opinion is not qualified in this respect.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 January 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Company Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
10 Bricket Road,
St Albans,
Herts, AL1 3JX

20 November 2002

WASTEPAK UK LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 JANUARY 2002

	Notes	2002	2001
		£'000	£'000
Turnover	2	10,776	7,353
Cost of sales		(7,125)	(5,531)
Gross profit		3,651	1,822
Administrative expenses (including exceptional items)		(3,309)	(1,499)
Operating profit before exceptional items	3	744	323
Exceptional items	4	(402)	-
Operating Profit		342	323
Interest payable	7	(1)	(4)
Profit on ordinary activities before taxation		341	319
Taxation	8	(983)	(88)
(Loss)/Profit on ordinary activities after taxation		(642)	231
Dividend	9	-	(66)
Retained (loss)/profit for the year		(642)	165
Retained profit brought forward		422	257
Retained (loss)/profit carried forward	16	(220)	422

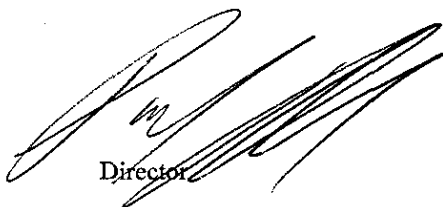
There were no other recognised gains or losses other than the results shown in the profit and loss account above.

WASTEPAK UK LIMITED

BALANCE SHEET AS AT 31 JANUARY 2002

	Note	2002 £'000	2001 £'000
Fixed assets			
Tangible fixed assets	10	379	204
Current assets			
Stocks	11	-	9
Debtors	12	5,417	3,584
Cash at bank and in hand		550	129
		5,967	3,722
Creditors - amounts falling due within one year	13	(4,280)	(3,504)
Net current assets		1,687	218
Total assets less current liabilities		2,066	422
Provision for liabilities and charges	14	(2,286)	-
Net (liabilities)/assets		(220)	422
Capital and reserves			
Called up share capital	18	-	-
Profit and loss account	16	(220)	422
Equity shareholders (deficit)/funds	17	(220)	422

The financial statements on pages 5 to 19 were approved by the board of directors on 10 November 2002 and were signed on its behalf by:



Director

WASTEPAK UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2002

1 ACCOUNTING POLICIES

The principal accounting policies are summarised below. They all have been applied consistently throughout the period and the preceding year. In December 2000, the Accounting Standards Board issued FRS 19 'Deferred Tax'. The company has adopted FRS 19 with effect from 31 January 2001 although this has not resulted in any comparative figures being restated.

a) Basis of preparation

In the year to 31 January 2002 Wastepack UK Ltd operated two packaging waste compliance schemes, the Great Britain scheme and the Northern Ireland scheme, under the 1997 packaging waste regulations. The Great Britain scheme is registered with the Scottish Environmental Protection Authority ("SEPA") under the jurisdiction of the Scottish Minister and accounts for 80 per cent of the Wastepack UK Ltd turnover.

Following the end of the financial year Wastepack UK Ltd has been informed by the Scottish Minister that a review will be conducted into the approval of the Wastepack UK Ltd Great Britain scheme for the future. Wastepack have been informed that the existence of this review should not be understood or implied as an impediment to Wastepack conducting their business during the period of the review. The Scottish Minister has the power to remove approval for the scheme. It is the judgement of the directors, having taken into account, legal and other appropriate advice, that the outcome of the review is likely to be in Wastepack UK Ltd's favour and as such there should be no alteration to the results, assets or liabilities of the Company reflected in these accounts or the continuing operation of the Great Britain scheme. Our auditors have referred to this matter, as they are obliged to, in their audit report

b) Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards.

c) Depreciation

Tangible fixed assets are stated at cost, less accumulated depreciation.

Depreciation is provided on all tangible fixed assets, other than freehold land at rates calculated to write off, less estimated residual value, of each asset over its expected useful life as follows:

Motor vehicles	25% per annum on a reducing balance basis
Fixtures and fittings	25% per annum on a reducing balance basis
Leasehold improvements	Evenly over the lease term

WASTEPACK UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2002

1 ACCOUNTING POLICIES (continued)

d) Leases and hire purchase contracts

Tangible fixed assets acquired under the finance leases and hire purchase contracts are capitalised at the estimated fair value at the date of inception of each lease or contract. The total finance charges are allocated over the period of the lease in such a way as to give a reasonably constant charge on the outstanding liability.

e) Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is computed on a first in first out basis. Net realisable value is based on estimated selling price less the estimated cost of disposal.

f) Cash flow statement

The company is a wholly owned subsidiary of L C Bet Limited and is included in the consolidated financial statements of The Wastepack Group Limited, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Statement 1 (revised 1996).

g) Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed by the balance sheet date and which could give rise to an obligation to pay more or less taxation in the future. An asset is recognised to the extent that the transfer of economic benefits in future is uncertain. Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws substantially enacted at the balance sheet date.

WASTEPAK UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2002

2 TURNOVER

The company's turnover represents the value, excluding value added tax, of goods and services supplied to customers during the year.

The analysis of turnover by geographical area is as follows:

	2002 £'000	2001 £'000
United Kingdom	10,446	7,112
Dubai	-	5
China	313	209
France	1	24
Germany	4	-
India	-	3
Malaysia	12	-
	10,776	7,353

WASTEPAK UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2002

3 OPERATING PROFIT

Operating profit is stated after charging:

	2002 £'000	2001 £'000
Depreciation		
- owned fixed assets	82	27
Auditors remuneration		
- for audit services	20	15
- non audit services	126	-
Operating lease cost		
- land and buildings	60	-

4 EXCEPTIONAL COSTS

Exceptional costs of £ 402,000 in the year relate to;

	Total £'000
Aborted project and acquisition costs	259
Legal costs associated with the issue of equity	63
Senior executive recruitment costs	80
	402

WASTEPACK UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2002

5 STAFF COSTS

Staff costs including directors emoluments

	2002 £'000	2001 £'000
Wages and salaries	1,098	612
Social security costs	111	65
Pension costs	-	22
	1,209	699

All pension contributions are paid through Wastelink UK Limited

Average monthly number employed including executive directors

Office and management	37	18
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WASTEPAK UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2002

6 DIRECTORS' EMOLUMENTS

	2002	2001
	£'000	£'000
Emoluments	200	277

Retirement benefits are accruing to one director (2001 : nil) under a defined contribution scheme.

Highest paid director

	2002	2001
	£'000	£'000
Emoluments and amounts receivable under long term incentive schemes	105	173
Company contributions to a money purchase pension scheme	-	-
	105	173

7 INTEREST PAYABLE

	2002	2001
	£'000	£'000
Finance lease and hire purchase contracts	1	4

WASTEPACK UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2002

8 TAXATION

	2002 £'000	2001 £'000
Current tax:		
UK corporation tax on profits of the period at 30% (2001 : 30%)	983	88
Adjustments in respect of previous periods	-	-
Total current tax	983	88
Deferred tax		
Origination and reversal of timing differences	-	-
Total deferred tax	-	-
Tax on profit on ordinary activities	983	88
Tax reconciliation:		
Profit on ordinary activities before tax	341	319
Tax at 30% (2001: 30%)	102	96
Effects of:		
Expenses not deductible for tax purposes	172	1
Accelerated capital allowances and other timing differences	709	(9)
Current tax charge for the period	983	88

WASTEPAK UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2002

9 DIVIDENDS

Equity – Ordinary	2002 £'000	2001 £'000
Interim paid	-	66

10 TANGIBLE FIXED ASSETS

	Leasehold improvements £'000	Motor vehicles £'000	Fixtures & fittings, £'000	Total £'000
Cost				
1 February 2001	-	152	94	246
Additions	54	77	126	257
31 January 2002	54	229	220	503
Depreciation				
1 February 2001	-	23	19	42
Charge for year	-	42	40	82
31 January 2002	-	65	59	124
Net book value				
31 January 2002	54	164	161	379
31 January 2001	-	129	75	204

Leased assets and assets acquired under hire purchase contracts

The net book value of fixed assets at 31 January 2002 and 31 January 2001 does not include any assets held under finance leases or hire purchase contracts.

WASTEPAK UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2002

11 STOCKS

	2002	2001
	£'000	£'000
Stocks	-	9

12 DEBTORS

	2002	2001
	£'000	£'000
Trade debtors	4,376	2,680
Amounts owed by group undertaking	820	815
Other debtors	199	89
Prepayments and accrued income	22	-
	5,417	3,584

Amounts owed by group undertakings are unsecured, interest free and have no fixed date of repayment.

WASTEPACK UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2002

13 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002	2001
	£'000	£'000
Trade creditors	2,885	2,001
Amounts owed to group undertakings	93	297
Corporation tax	221	88
Other taxation and social security	482	380
Obligations under finance leases and hire purchase contracts	-	7
Accruals and deferred revenue	599	730
	4,280	3,504

14 PROVISIONS

(a) Wastepack Compliance Scheme Direct Recycling Provision

The 2001 compliance plan for the Great Britain scheme involved the company meeting its obligation in part by the purchase of PRNs and in part by the set aside of funds to be invested in schemes to increase recycling activity in the UK. Costs of £1.4m relating to the proposal to increase recycling activity were incurred by the company in the year.

At 31 January 2002, a provision of £2.3m is included within the accounts representing the balance remaining of the funds set aside for schemes to increase recycling activity in the UK.

	2002	2001
	£'000	£'000
Direct recycling provision	2,285	-

Management has committed to SEPA that it will spend this amount on recycling schemes in satisfaction of its compliance plan.

Management expect the provision to be utilised in the short term.

WASTEPAK UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2002

14 PROVISIONS (CONTINUED)

It should be noted that for 2002 Wastepack UK Ltd has submitted a compliance plan which provided for its obligation under the legislation to be met in total by the purchase of PRNs. Hence a similar situation will not arise in the current financial year.

(b) Deferred tax

The company has an unrecognised deferred tax asset of £704,000 (2001: nil).

15 PENSION COMMITMENTS

Defined contribution pension scheme

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 pension cost charge for the year has been paid by another Group company (2001 : £22,000).

16 PROFIT AND LOSS ACCOUNT

	2002 £'000	2001 £'000
As at 31 January 2001	422	257
(Loss)/profit for the year	(642)	165
As at 31 January 2002	(220)	422

17 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2002 £'000	2001 £'000
(Loss)/profit for the financial year	(642)	165
Opening shareholders' funds	422	257
Closing shareholders' (deficit)/funds	(220)	422

WASTEPACK UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2002

18 CALLED UP SHARE CAPITAL

	2002	2001
	£	£
Authorised share capital		
100 Ordinary share of £1 each	100	100
Allotted called up and fully paid		
100 Ordinary share of £1 each	100	100

19 FINANCIAL COMMITMENTS

Financial commitments under non-cancellable operating leases will result in the following payments falling due in the year to 31 January 2003:

	Land and buildings	Land and buildings
	2002	2001
	£'000	£'000
Within one year	-	-
Within two to five years	-	-
After five years	102	-

20 RELATED PARTY TRANSACTIONS

The company is exempt under the terms of FRS 8 from disclosing related party transactions with entities that are part of The Wastepack Group Limited.

WASTEPACK UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2002

21 ULTIMATE AND IMMEDIATE PARENT UNDERTAKING

The company is a wholly owned subsidiary of L.C. Bet Limited, its immediate parent undertaking, a company incorporated in the United Kingdom.

The smallest group of which the company is a member and for which group accounts are prepared is that of The Wastepack Group Limited, a company incorporated in the United Kingdom. Copies of its consolidated financial statements are available from Pishiobury House, Pishiobury Drive, Sawbridgeworth, Hertfordshire, CM21 0AF.

The Wastepack Group is controlled by B P Van Danzig and Duke Street IV Limited, a company incorporated in the United Kingdom.

Copies of the statutory accounts for Duke Street IV Limited can be obtained from Almack House, 28 King Street, London, SW1Y 6XA.