

WASTEPAK UK LIMITED

REPORT AND ACCOUNTS

FOR THE PERIOD ENDED 31st DECEMBER 2002



SCT	SNYC4Q2L	0318
COMPANIES HOUSE		15/11/03

LD4	*L34F2PNI*	0235
COMPANIES HOUSE		31/10/03

COMPANY REGISTRATION NUMBER SC174113

1/12/03

1/12/03

WASTEPAK UK LIMITED

DIRECTORS AND ADVISERS FOR THE PERIOD ENDED 31 DECEMBER 2002

Directors

B P Van Danzig

E T H Jeffery

Secretary

L A Cullis

Registered Office

68-73 Queen Street

Edinburgh

Midlothian

EH2 4NH

Auditors

PricewaterhouseCoopers LLP

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

Nuneaton

Warwickshire

CV11 5TD

DIRECTORS' REPORT FOR THE PERIOD ENDED 31 DECEMBER 2002

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

Change of Accounting Date

During the year the company has changed its year end to 31st December. Therefore these accounts represent a 11 month period from 1st February to 31st December 2002.

Acquisition of Subsidiary

On 28th February 2002 the company acquired the trade and fixed assets of Difpak Ltd for cash consideration of £468,000. Difpak Ltd operates packaging waste compliance schemes.

Review of business and future developments

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

In the previous financial statements to 31st January 2002 it was stated that the Scottish Environment Minister had announced a review into the Wastepack UK Ltd Great Britain compliance scheme. After the end of the current financial period the Minister informed Wastepack UK Ltd that the review of the Wastepack UK Ltd Great Britain compliance scheme had been completed and he has decided to continue the approval of the scheme.

Results and dividends

The results for the year are shown in the profit and loss account on page 6. No dividends were paid or proposed in the period (January 2002: £Nil).

The company's balance sheet as detailed on page 7 shows a net liabilities position with a deficit on shareholders funds amounting to £528,000 (2002: deficit of £220,000). Having reviewed relevant information concerning future activities, the directors consider it appropriate to prepare financial statements for the company on a going concern basis. It should also be noted that the Board has received confirmation from its parent company, Wastepack Group Limited, of financial support necessary to continue trading.

Directors and their interests

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

B P Van Danzig

E T H Jeffrey

K Sage (appointed 17 December 2002 resigned 15 August 2003)

P F Ashworth (appointed 17 December 2002 resigned 23 September 2003)

None of the directors had a beneficial interest in the share capital of the company at any time in the period.

WASTEPACK 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	Ordinary B shares	Ordinary C shares	Ordinary D shares	Deferred shares	As at 31 December 2002 Total	As at 31 January 2002 Total Shares
B P Van Danzig	441,000	-	-	-	8,000	449,000	449,000
P F Ashworth <i>resigned 15.8.03</i>	-	30,797	-	82,350 ^a	-	113,147	30,797
K Sage <i>resigned 23.9.03</i>	-	13,653 [*]	-	25,677 ^a	-	39,330	-
E T H Jeffery	-	-	5,133	3,780	-	8,913	5,133

^aacquired during the period

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that 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. The directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the period 31 December 2002 and that applicable accounting standards have been followed.

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

Auditors

As a result of our auditors PricewaterhouseCoopers conversion to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 31st December 2002 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting.

The report of the directors was approved by the Board and signed on its behalf.

By order of the Board



L A Cullis

Secretary

22 October 2003

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
WASTEPACK UK LIMITED**

We have audited the financial statements on pages 6 to 18 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 Companies Act 1985. 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. The other information comprises the directors' report.

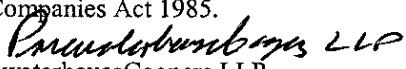
Basis of audit opinion

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 at 31 December 2002 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
St Albans

22 October 2003

WASTEPACK UK LIMITED

PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31 DECEMBER 2002

	Notes	11 months to 31 December 2002 £'000	12 Months to 31 January 2002 £'000
Turnover	2	17,176	10,776
Cost of sales		(14,988)	(7,125)
Gross profit		2,188	3,651
Administrative expenses (including exceptional items)		(2,629)	(3,309)
Operating profit before exceptional items	3	289	744
Exceptional items	4	(730)	(402)
Operating (loss)/profit		(441)	342
Interest payable	7	-	(1)
(Loss)/profit on ordinary activities before taxation		(441)	341
Taxation	8	133	(983)
Loss on ordinary activities after taxation		(308)	(642)
Retained loss for the period/ year		(308)	(642)
Retained profit brought forward		(220)	422
Retained loss carried forward	15	(528)	(220)

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 DECEMBER 2002

	Note	As at 31 December 2002 £'000	As at 31 January 2002 £'000
Fixed assets			
Tangible fixed assets	9	456	379
Investment in subsidiary	10	468	-
		924	379
Current assets			
Debtors	11	4,373	5,417
Cash at bank and in hand		762	550
		5,135	5,967
Creditors - amounts falling due within one year	12	(4,301)	(4,280)
Net current assets		834	1,687
Total assets less current liabilities		1,758	2,066
Provision for liabilities and charges	13	(2,286)	(2,286)
Net (liabilities)		(528)	(220)
Capital and reserves			
Called up share capital	17	-	-
Profit and loss account	15	(528)	(220)
Equity shareholders (deficit)/funds	16	(528)	(220)

The financial statements on page 6 to 18 were approved by the Board of Directors on ~~22 October 2003~~ 22 October 2003 and were signed on its behalf by;



Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2002

1 ACCOUNTING POLICIES

The principal accounting policies are summarised below. They all have been applied consistently throughout the period and the preceding year.

a) **Going concern**

The directors have received a projected cash flow for a period of twelve months from the date of approval of the financial statements. On the basis of project cash flow and other relevant information including a parent company guarantee, the directors consider it appropriate to prepare the financial statements on a going concern basis.

b) **Basis of preparation**

In the previous financial statements to 31st January 2002 it was stated that the Scottish Environment Minister had announced a review into the Wastepack UK Ltd Great Britain compliance scheme. After the end of the current financial period the Minister has informed Wastepack UK Ltd that the review of the Wastepack UK Ltd Great Britain compliance scheme has been completed and he has decided to continue the approval of the scheme.

The balance of funds resulting from the operation of the compliance scheme in 2001 is held as a provision that will be utilised as commitments are made to relevant activities.

c) **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.

d) **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:

Computer hardware and software	25% per annum on a reducing balance basis
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

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2002

1 ACCOUNTING POLICIES (continued)

e) 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.

f) Cash flow statement

The ultimate UK parent undertaking has presented in its consolidated financial statements a group cash flow statement drawn up in accordance with the provisions of Financial Reporting Standard 1 (FRS1). Accordingly the Company has taken advantage of the exemption available under FRS1 to dispense with presenting its own cash flow statement.

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 certain. 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.

2 TURNOVER

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

The analysis of turnover by geographical area is as follows:

	11 Months to 31 December 2002 £'000	12 Months to 31 January 2002 £'000
United Kingdom	17,176	10,446
China	-	313
France	-	1
Germany	-	4
Malaysia	-	12
	17,176	10,776

WASTEPACK UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2002

3 OPERATING LOSS/PROFIT

Operating loss/profit is stated after charging:

	11 Months to 31 December 2002	12 Months to 31 January 2002
	£'000	£'000
Depreciation		
- owned fixed assets	112	82
Auditors remuneration		
- for audit services	25	20
- non audit services	138	126
Operating lease cost		
- land and buildings	110	60

4 EXCEPTIONAL COSTS

Exceptional costs of £730,000 in the period relate to:

	11 Months to 31 December 2002	12 Months to 31 January 2002
	£'000	£'000
Aborted project and acquisition costs	-	259
Senior executive recruitment costs	-	80
Management equity costs	-	63
Vacated property lease premium and related costs	140	-
Costs associated with the direct recycling project	590	-
	730	402

WASTEPAK UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2002

5 STAFF COSTS

Staff costs including directors emoluments

	11 Months to 31 December 2002 £'000	12 Months to 31 January 2002 £'000
Wages and salaries	901	1,098
Social security costs	139	111
Pension costs	30	-
	1,070	1,209
Average monthly number employed including executive directors		
Direct staff	12	-
Office and management	34	37

6 DIRECTORS' EMOLUMENTS

	11 Months to 31 December 2002 £'000	12 Months to 31 January 2002 £'000
Emoluments	407	247

Highest paid director

	11 Months to 31 December 2002 £'000	12 Months to 31 January 2002 £'000
Emoluments and amounts receivable under long term incentive schemes	140	105
Company contributions to a money purchase pension scheme	13	-
	153	105

WASTEPACK UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31
DECEMBER 2002**

7 INTEREST PAYABLE

	11 Months to 31 December 2002 £'000	12 Months to 31 January 2002 £'000
Finance lease and hire purchase contracts	-	1

8 TAXATION

	11 Months to 31 December 2002 £'000	12 Months to 31 January 2002 £'000
Current tax:		
UK corporation tax on profits of the period at 30% (January 2002 : 30%)	(101)	983
Adjustments in respect of previous periods	(32)	-
Total current tax	(133)	983
Deferred tax		
Origination and reversal of timing differences	-	-
Total deferred tax	-	-
Tax on profit on ordinary activities	(133)	983
Tax reconciliation:		
Profit on ordinary activities before tax	(441)	341
Tax at 30% (January 2002: 30%)	(132)	102
Effects of:		
Expenses not deductible for tax purposes	30	172
Accelerated capital allowances and other timing differences	1	709
Adjustments in respect of prior periods	(32)	-
Current tax charge for the period	(133)	983

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2002

9 TANGIBLE FIXED ASSETS

	Leasehold improvements	Computer hardware and software	Motor vehicles	Fixtures & fittings	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
1 February 2002	54	-	229	220	503
Additions	-	85	61	43	189
31 December 2002	54	85	290	263	692
Depreciation					
1 February 2002	-	-	65	59	124
Charge for period	16	10	44	42	112
31 December 2002	16	10	109	101	236
Net book value					
31 December 2002	38	75	181	162	456
31 January 2002	54	-	164	161	379

Leased assets and assets acquired under hire purchase contracts

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2002

10 INVESTMENT IN SUBSIDIARY

	As at 31 December 2002 £'000	As at 31 January 2002 £'000
Investment in subsidiary undertaking	468	-

On 28 February 2002 the company acquired the trade and fixed assets of Difpak Limited for cash consideration of £468,000.

The assets and liabilities acquired are as follows;

	Book values of acquired business £'000	Fair Value Adjustments to align accounting policies £'000	Balances Consolidated at date of acquisition £'000
Debtors	781	(281)	500
Cash	207	(155)	52
Creditors	(232)	(277)	(509)
	756	(713)	43

In the last financial year to 31 December 2001 Difpak Limited made a loss after tax of £(109,000).

Fair Value Adjustments

The adjustments to align accounting policies relate to the change from cash accounting to accrual accounting bringing it in line with the accounting policies of The Wastepack Group Ltd.

WASTEPACK UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2002

11 DEBTORS

	As at 31 December 2002	As at 31 January 2002
	£'000	£'000
Trade debtors	1,994	4,376
Amounts owed by group undertaking	1,312	820
Other debtors	109	199
Corporation tax	76	-
Other taxation	498	-
Prepayments and accrued income	384	22
	4,373	5,417

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

12 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	As at 31 December 2002	As at 31 January 2002
	£'000	£'000
Trade creditors	3,075	2,885
Amounts owed to group undertakings	576	93
Corporation tax	-	221
Other taxation and social security	56	482
Obligations under finance leases and hire purchase contracts	-	-
Accruals and deferred revenue	594	599
	4,301	4,280

WASTEPACK UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2002

13 PROVISIONS

(a) Wastepack Compliance Scheme Direct Recycling Provision Balance of Funds

In the previous financial statements to 31st January 2002 it was stated that the Scottish Environment Minister had announced a review into the Wastepack UK Ltd Great Britain compliance scheme. After the end of the current financial period the Minister informed Wastepack UK Ltd that the review of the Wastepack UK Ltd Great Britain compliance scheme had been completed and he has decided to continue the approval of the scheme.

The company holds a balance of funds of £2.3m, which it had intended to invest in recycling initiatives in 2001.

In July 2003 a commitment of £1m has been made to The Recycling Fund LLP with the support of the relevant regulators. This transaction is the first in a program of disbursing the balance of funds to encourage recycling activity.

	As at 31 December 2002 £'000	As at 31 January 2002 £'000
Balance of Funds	2,286	2,286

(b) Deferred tax

The company has an unrecognised deferred tax asset of £393,000 (January 2002: £704,000).

14 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 represents contributions payable by the company to the fund amounted to £30,000 (January 2002 : NIL). Part of the pension cost charge for the period has been paid by another Group company (January 2002 : NIL).

WASTEPAK UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31
DECEMBER 2002**

15 PROFIT AND LOSS ACCOUNT

	As at 31 December 2002	As at 31 January 2002
	£'000	£'000
As at 31 January 2002	(220)	422
(Loss) for the period/ year	(308)	(642)
As at 31 December 2002	(528)	(220)

16 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	As at 31 December 2002	As at 31 January 2002
	£'000	£'000
Loss for the financial period/ year	(308)	(642)
Opening shareholders' deficit	(220)	422
Closing shareholders' deficit	(528)	(220)

17 CALLED UP SHARE CAPITAL

	As at 31 December 2002	As at 31 January 2002
	£	£
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

WASTEPACK UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2002

18 FINANCIAL COMMITMENTS

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

	Land and buildings As at 31 December 2002	Land and buildings As at 31 January 2002
	£'000	£'000
Within one year	-	-
Within two to five years	67	-
After five years	-	102

After the period end the company negotiated the surrender of one lease and the sub-letting of Morley House Amersham to a third party. The company retains a contingent liability for this rental of £67,000 per annum until 2006.

19 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.

20 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.