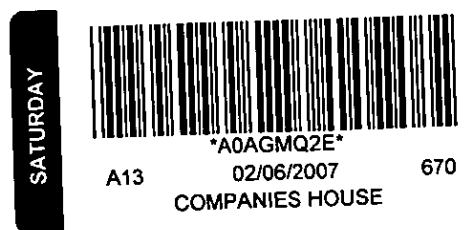


WRG Waste Services Limited

Directors' report and financial
statements

Registered number 988844

31 December 2006



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Statutory information

Directors

JR Meredith
LJD Cassells
SN Hardman
M Robinson

Company secretary

J Bolton

Joint company secretary

C Favier-Tilston

Registered office

Ground Floor West
900 Pavilion Drive
Northampton Business Park
Northampton
NN4 7RG

Auditors

KPMG LLP
1 The Embankment
Neville Street
Leeds
LS1 4DW

Directors' report

The directors (the "Directors") of WRG Waste Services Limited (the "Company") present their report and audited financial statements for the year ended 31 December 2006. References in this Directors' report to "the Group" cover the operations of Waste Recycling Group Limited and its subsidiaries, including the Company.

Principal activity and business review

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

The activities, strategy and risks affecting the Company are inextricably similar to, and dependent on, those of the Group and consequently the following narrative relates to the Group including the Company. The Group is one of the leading waste management services companies in the UK providing a range of cost effective and environmentally sustainable waste processing, recycling, disposal and energy recovery services for local authority and private commercial customers. The Group comprises four trading divisions:

- North Division – responsible for landfill, transfer recycling and civic amenity operations in the North of England, East Midlands, North Wales and Scotland, for the Waste Treatment Division which treats hazardous solid and liquid wastes and for Alco, the Cumbria collection, treatment and healthcare business.
- South Division – responsible for all landfill, transfer recycling and civic amenity operations in East Anglia, the South East, Lincolnshire, the West Midlands and South Wales and the servicing of recycling banks in the eastern part of England.
- The Green Energy+ Division – manages Energy from Waste ("EfW") plants, which generate power by burning municipal solid waste at Eastcroft, Nottingham and at Allington, Kent.
- Quarries Division – operates quarries in Yorkshire.

The acquisition of the Group, including the Company and its waste disposal business, from WRG Holdings Limited (now Infinis Holdings Limited), by Fomento de Construcciones y Contratas, S.A. ("FCC"), on 27 September 2006, heralds an exciting stage in the Group's growth. FCC is a multi-national business with operations in Europe, South America and the United States. Following the acquisition of the Group, FCC is now a leading player in the UK waste management sector.

The acquisition of the Group follows the demerger, in May 2006, of WRG Holdings Limited's activities into distinct waste management and renewable energy businesses ("WtE"). Infinis Operations 2 Limited (formerly WRG Operations 2 Limited), a subsidiary of WRG Holdings Limited, acquired the renewable energy business of the Company.

On 21 December 2006, the Group's immediate parent Azincourt Investment, S.L. re-financed its debt in relation to the acquisition of the Group under a Facility Agreement. The Group and the Company were a party to this re-financing (see note 16).

Objectives, strategy and risk

The Group's key areas of strategic development and performance of the business include:

- Sales and marketing. new and replacement business is being sought and won on an ongoing basis. The Group works hard to ensure that existing customers business is retained and key customer relationships are monitored on a regular basis. The Group is developing into a key player in the PFI and Public Private Partnership market.
- Services. new waste management solutions continue to be developed for both new and existing customers. We work with customers to find the best value integrated solutions that put recycling, composting and landfill diversion at the heart of waste management strategies.

Directors' report (*continued*)

Objectives, strategy and risk

- **Stakeholders** the Group is working to strengthen relationships with our customers, suppliers, contractors and other stakeholders including the communities in the areas within which we operate
- **Health and Safety** the Group treats health and safety as a key area of importance and is always seeking ways of ensuring a safe environment for all employees and stakeholders
- **Environment** the Group strives to achieve environmental best practice across its operations. To achieve this, the Directors keep policies, procedures and performance under continuous review and we also maintain an ongoing close relationship with the relevant regulatory bodies including the Environment Agency
- **Employees** the Group aims to enhance the quality of our workforce, by providing good working conditions, including training and development opportunities and by careful recruitment processes

The Group operates in a highly regulated market that contains numerous risks and uncertainties. The Group has appointed a Risk Committee that actively monitors the key risks that impact the business including the compilation of a comprehensive risk register. The Directors of the Company regard the following to be the principal risks and uncertainties affecting the business. The Company's approach to managing these risks and uncertainties is considered below.

- **Health and Safety** Health and safety is a key issue for the Group due to the nature of operations including the use of heavy plant and equipment and difficult working conditions. The Group is continually seeking, in consultation with the appropriate authorities, opportunities to enhance performance in this area, implementing any improvements identified as necessary, expeditiously. Rigorous health and safety training for all employees is undertaken and is underpinned by detailed policies and procedures. The Directors receive regular reports on health and safety performance affecting the Company's operations and it employs a dedicated team to monitor and promote high standards. All employees are expected to recognise their role for achieving high performance on health and safety matters and exhibit this through their approach and attitude at work.
- **Environmental risks** The Group's operations are heavily regulated under environmental legislation principally by the Environment Agency in England and Wales and the Scottish Environment Protection Agency in Scotland. Compliance with all environmental legislation pertinent to the Company's activities is a minimum requirement. The Directors receive regular reports on environmental compliance at the Group's sites and environmental compliance is monitored and controlled by a dedicated team within the Group. The Group has adopted a formal environmental policy and detailed environmental procedures to enable compliance with environmental legislation.
- **Major disruption/disaster** The Group as part of its risk management programme has developed business continuity planning for its operations. As part of this planning the Group has developed plans to accommodate the diversion of waste from single or multiple sites in the event of major disruption or disaster affecting a site or region.
- **The effect of new legislation or other regulatory activities** The Group monitors forthcoming and current legislation regularly to ensure full compliance and to anticipate and assess the impact upon its operations. Many contracts with municipal customers include provisions which allow the Group to pass through certain increased costs arising as a result of legislative changes which occur during the life of the contracts.
- **Litigation** The Group is subject to litigation from time to time. The outcome of legal action is always uncertain and there is the risk that it may prove more costly and time consuming than expected. There is a risk that litigation could be instigated in the future which could materially impact the Group. In some liability cases legal expenses are covered by insurance. This risk is managed through constant monitoring and having a full time Director on the board with legal responsibility.

Directors' report

Objectives, strategy and risk *(continued)*

- **Competitive risk** The Group operates in highly competitive markets. Competitors may be able to offer services at rates below that of the Group due to lower operating and overhead costs and lower investment returns. To mitigate this risk the Group ensures that its cost base is appropriately structured. In addition the Group endeavours to enter into medium and long term waste disposal contracts to guarantee revenues over the longer term, particularly with its municipal customers.
- **Employees** The loss of key employees to the business or the inability to hire experienced management personnel could have a material adverse effect on the business. To manage this risk succession planning for senior positions within the Group is undertaken. In addition the acquisition of the Group by FCC in September 2006 enables the Group to draw on wider resources within the FCC group going forward.

Future trends and developments

The Directors consider that the business of the Group and Company is sound for the immediate future. The development of the business will be subject to numerous factors. However the impact of the European Union Landfill Directive and the diversion of waste away from landfill sites to alternative disposal methods or recycling initiatives will fundamentally shape the development of the business going forward. The need for significant amounts of capital to support this transition is most likely to lead to consolidation within the waste management industry thereby presenting both opportunity and risk to the Group.

Results and dividends

The results of the Company for the year ended 31 December 2006 are set out on page 10. The profit for the financial year ended 31 December 2006 amounted to £77,413,000 (2005 £20,590,000). On 15 September 2006 the Company paid an interim dividend amounting to £98,000,000 (2005 £nil) and thus the retained loss of £20,587,000 has been withdrawn from (2005 profit of £20,590,000 has been transferred to) reserves.

Other Financial and Non-Financial Key Performance Indicators (KPI's)

To help deliver the strategy and to assist in managing operational performance of the business, the following KPI's are part of the tools used by the Group to monitor the Group's businesses performance.

- **EBITDAP** – earnings before interest, tax, depreciation, amortisation, provisions and exceptional items. This is used as a management tool on a site by site basis as it is a measure of performance including revenues and costs which can be directly controlled by site. It is also used for the business as a whole as a measure of cash flow.

	2006 £000	2005 £000
EBITDAP	23,198	26,416
EBITDAP from continuing operations	16,435	11,874

Directors' report (*continued*)

Other Financial and Non-Financial Key Performance Indicators (KPI's) (*continued*)

- Return on capital employed (ROCE) – defined as profit before tax divided by net assets. This is used as a measure of performance across the group and in similar businesses where there is a requirement for regular and high levels of capital investment

	2006 %	2005 £%
ROCE	2,095.6	84.8

- Both the Company's EBITDAP and ROCE are in line with Directors expectations
- WRG's main safety KPI over recent years has been the Incidence Rate per 100,000 employees for RIDDOR-reportable incidents. This includes both major incidents and incidents leading to over three days absence from work. This is a common KPI in the industry. In 2006 WRG achieved a 5.1% improvement over the prior year (1687 versus 1778 in 2005), against a target improvement of 10%. Major incidents, during the year, were significantly reduced but not absences over three days. These are the focus for improvement going forwards via a campaign of tool box talks, posters and e-learning. In 2006 the Environment Agency adopted a 10% year on year improvement of this KPI as its safety objective in the newly-published EA Waste Sector Plan.
- WRG operates an Environmental Management System (EMS) that conforms to the ISO 14001 standard. The key environmental aspects of our activities are identified in the EMS as landfill gas and leachate emissions to the surrounding receptors. KPI's are set for each of these aspects at every landfill site and reported monthly, both individually and in aggregate. The KPI for landfill gas is the proportion of gas migration monitoring points sampled that are compliant within limits. For leachate it is the proportion of leachate level monitoring points that are compliant. For landfill gas migration, 2006 average compliance was 93.2% versus 93.4% for 2005. The lack of improvement in this KPI is due to a higher than normal incidence of landfill fires, disrupting gas control, and the temporary removal and replacement of gas control systems to facilitate further landfilling. Neither factor is expected to reoccur. For leachate a valid comparison cannot be made, as leachate compliance levels have changed at many sites as a result of the implementation of the Landfill Directive under the PPC permit regime. Leachate monitoring continues, indeed is enhanced by improvements made in order to comply with the Directive's requirements. After control levels have been rebased, the KPI will be reported from 2007 onwards.

Directors and their interests

The Directors who served as directors of the Company during the year ended 31 December 2006 and up to the date of this report were as follows:

J R Meredith
 L J D Cassells
 S N Hardman
 M Robinson – appointed 6 October 2006

None of the Directors or connected persons who held office at 31 December 2006 held any interests in the share capital of the Company or any related group undertaking at 31 December 2006.

Directors' report (*continued*)

Employees

A policy of equal opportunity employment throughout the Group continues to be encouraged at all times. Subject to the nature of its businesses in the waste management industry, the policy of the Group is to ensure that there are fair opportunities for the employment and training of disabled persons. The Directors recognise the importance of communication with employees. Members of the Executive management team regularly visit sites and discuss with staff matters of current interest and concern to the business.

Elective Regime

On 9 May 2006 the Company passed elective resolutions in accordance with section 379A of the Companies Act 1985 as amended (the "Act") to dispense with the formalities of

- the laying of accounts and reports before the Company in general meeting (section 252 of the Act),
- the holding of annual general meetings (section 366A of the Act),
- the obligation to appoint auditors annually (section 386 of the Act)

Section 253(2) gives members the right to require the laying of accounts before the Company in general meeting. To exercise such right, a member must give notice in writing to that effect deposited at the registered office of the Company within 28 days of the day on which the report and financial statements are sent out in accordance with section 238(1) of the Act.

Charitable and political donations

The Company made no charitable or political donations during the financial year ended 31 December 2006 (*2005 £nil*).

Disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

Pursuant to a shareholders' elective resolution passed on 9 May 2006, the Company is not obliged to reappoint its auditors annually and KPMG LLP will therefore continue in office.

By order of the board



J Bolton
Company Secretary

16th March 2007

Statement of Directors' responsibilities in respect of the Directors' report and the financial statements

The Directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

The financial statements are required by law to 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 these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, 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 that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities



KPMG LLP
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Independent auditors' report to the members of WRG Waste Services Limited

We have audited the financial statements of WRG Waste Services Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 7.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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.

Independent auditors' report to the members of WRG Waste Services Limited
(continued)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

16 March 2007

Profit and loss account
year ended 31 December 2006

	<i>Note</i>	Continuing operations 2006 £000	Discontinued operations 2006 £000	Total 2006 £000	Continuing operations 2005 £000	Discontinued operations 2005 £000	Total 2005 £000
Turnover	2	126,339	9,857	136,196	120,658	20,967	141,625
Cost of sales		(111,290)	(4,702)	(115,992)	(103,633)	(9,289)	(112,922)
Gross profit		15,049	5,155	20,204	17,025	11,678	28,703
Administrative expenses		(9,383)	(36)	(9,419)	(7,176)	(15)	(7,191)
Operating profit		5,666	5,119	10,785	9,849	11,663	21,512
Profit on disposal of discontinued operations	3	-	65,656	65,656	-	-	-
Profit on ordinary activities before interest		5,666	70,775	76,441	9,849	11,663	21,512
Net interest receivable/(payable)	5			972			(922)
Profit on ordinary activities before taxation	3			77,413			20,590
Tax on profit on ordinary activities	6			-			-
Profit for the financial year	14			77,413			20,590

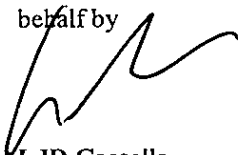
There are no recognised gains and losses in either the financial year ended 31 December 2006 or previous financial period other than as stated in the profit and loss account. Therefore, no separate statement of total recognised gains and losses has been presented.

There is no material difference between the profit on a historical cost basis and that shown in the profit and loss account.

Balance sheet
at 31 December 2006

	<i>Note</i>	2006 £000	2005 £000
Fixed assets			
Tangible assets	8	24,906	65,357
Current assets			
Debtors amounts falling due within one year	9	159,357	-
Debtors amounts falling due after more than one year	10	6,869	5,496
Total debtors		166,226	5,496
Cash at bank and in hand		5	3
Creditors amounts falling due within one year	11	(144,195)	(8,440)
Net current assets/(liabilities)		22,036	(2,941)
Total assets less current liabilities		46,942	62,416
Provisions for liabilities and charges	12	(43,248)	(38,135)
Net assets		3,694	24,281
Capital and reserves			
Called up share capital	13	-	-
Profit and loss account	14	3,694	24,281
Equity shareholders' funds	15	3,694	24,281

These financial statements were approved by the board of Directors on 16th March 2007 and were signed on its behalf by


 LJD Cassells
 Director

Notes

(forming part of the financial statements)

1 Accounting policies

These financial statements are prepared in accordance with applicable United Kingdom accounting standards

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements

Accounting convention

The financial statements are prepared under the historical cost convention

Cash flow statement

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

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

Freehold buildings	- 25 to 50 years
Freehold landfill sites	- based on the void used in the year as a proportion of total void
Plant and machinery	- 3 to 10 years
Motor vehicles	- 4 years

Expenditure on freehold landfill sites and leasehold properties includes engineering costs. Elements of these costs are classified according to their expected economic life and depreciated accordingly in proportion to the rate that waste is deposited. All other assets are depreciated on a straight-line basis

Decommissioning and after-care costs

Full provision has been made for the net present value (NPV) of the Company's minimum unavoidable costs, in respect of decommissioning liabilities at the Company's landfill sites, which has been capitalised in fixed assets. The Company continues to provide for all after-care 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 decommissioning and aftercare costs are calculated based on the NPV of estimated future costs. Current cost estimates are inflated at 2.5 per cent and discounted at 5 per cent to calculate the NPV. The effects of the unwinding of the discount element on existing provisions are reflected as a financial item

During the year, the restoration provision was renamed the decommissioning provision

Turnover

Turnover represents invoiced sales of goods and services including landfill tax, but excluding value added tax and discounts allowed

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Notes (continued)

1 Accounting policies (continued)

Taxation (continued)

Deferred tax is recognised with discounting in respect of all timing differences between the treatment of certain items of taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

Post Retirement Benefits

The Company participates in a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Company. The Company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 'Retirement Benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

2 Turnover

All turnover was generated in the United Kingdom from the handling, recycling and disposal of waste materials together with the generation of electricity from landfill gas.

3 Profit on ordinary activities before taxation

	2006	2005
	£000	£000
Profit on ordinary activities before taxation is stated after charging/(crediting) exceptional items.		
<i>Included in cost of sales</i>		
- Increase in decommissioning and after-care provisions on revision of estimate of future costs (note a)	4,867	-
- Decrease in other provisions (note a)	(2,316)	(3,019)
- Waiver of debt owed by a fellow group subsidiary (note b)	-	2,000
	2,551	(1,019)
	2,551	(1,019)
 Profit on disposal of discontinued operations (note c)	 (65,656)	 -
 Profit on ordinary activities before taxation is stated after charging		
Depreciation of tangible fixed assets - owned	7,097	6,880
(Profit)/loss on disposal of tangible fixed assets	(26)	16
Operating lease rentals – plant and machinery	1,506	3,071
Operating lease rentals – other	56	36
	7,633	10,003

- (a) Reassessment of the Company's obligation for decommissioning and after-care costs in respect of landfill sites and the recognition of other specific liabilities
- (b) On 28 April 2005, the Company waived £2m owed to it by WRG (Northern) Limited, a fellow group subsidiary
- (c) On 16 May 2006 the Company sold the trade and net assets of its entire Waste-to-Energy division to Infinis Operations 2 Limited (formerly WRG Operations 2 Limited) for £106,900,000. Consideration was settled through the intercompany account on which interest was received until 27 September 2006 (note 5)

Auditors' remuneration in respect of audit fees has been met by Waste Recycling Limited, a fellow subsidiary undertaking of Waste Recycling Group Limited.

Notes (continued)

4 Information regarding Directors and employees

None of the Directors received any remuneration or benefits from the Company during the year (2005 £nil) They are all remunerated as directors or employees of Waste Recycling Group Limited, the indirect parent company of the Company

	2006 £000	2005 £000
Staff costs including Directors' emoluments		
Wages and salaries	4,518	4,562
Social security costs	444	512
Other pension costs	124	127
	5,086	5,201
	No. 145	No 156
Average number employed (including Directors) during the year was:		

5 Net interest receivable/(payable)

	2006 £000	2005 £000
Interest receivable and similar income		
Other interest receivable (note 3)	2,230	-
	(1,258)	(922)
Interest payable and similar charges		
Unwinding of discount (note 12)	(1,258)	(922)
	972	(922)
Net interest receivable/(payable)	972	(922)

6 Taxation

	2006 £000	2005 £000
UK Corporation tax		
United Kingdom corporation tax at 30% (2005 30%) based on profits for the year	-	-
	-	-
Total current tax charge	-	-
Deferred tax		
Timing differences, origination and reversal	-	-
	-	-
Tax on profit on ordinary activities	-	-

Notes (continued)

6 Taxation (continued)

The total current tax charge for both the current and previous year is less than the standard rate of 30% (2005 30%) for the reasons set out in the following reconciliation

	2006 £000	2005 £000
Profit on ordinary activities before tax	77,413	20,590
	<u> </u>	<u> </u>
Tax on profit on ordinary activities at standard rate	23,224	6,177
Factors affecting charge		
Expenses not deductible for tax purposes	166	-
Exempt profit on asset sales	(19,697)	-
Depreciation in excess of capital allowances	987	2,017
Decrease in general provisions	(115)	(878)
Group loss relief claimed	(4,453)	(7,132)
Site preparation relief	(112)	(184)
	<u> </u>	<u> </u>
	-	-
	<u> </u>	<u> </u>

7 Dividends

	2006 £000	2005 £000
Interim dividend paid of £980,000 per ordinary share on 15 September 2006 (2005 <i>£nil</i>)	98,000	-
	<u> </u>	<u> </u>

Notes (continued)

8 Tangible fixed assets

	Landfill sites £000	Land and buildings £000	Plant and machinery £000	Motor Vehicles £000	Total £000
Cost					
At 1 January 2006	25,791	7,992	82,371	-	116,154
Additions	4,613	477	2,125	-	7,215
Disposals	-	-	(440)	-	(440)
Disposal of business (note 3)	-	(2,901)	(64,825)	-	(67,726)
Transfers between group companies/reclassifications	4,806	77	(270)	423	5,036
	<u>35,210</u>	<u>5,645</u>	<u>18,961</u>	<u>423</u>	<u>60,239</u>
At 31 December 2006	35,210	5,645	18,961	423	60,239
Depreciation					
At 1 January 2006	9,490	4,356	36,951	-	50,797
Charge for the year	3,752	340	2,992	13	7,097
Disposals	-	-	(439)	-	(439)
Disposal of business (note 3)	-	(1,640)	(24,784)	-	(26,424)
Transfers between group companies/reclassifications	4,302	-	(410)	410	4,302
	<u>17,544</u>	<u>3,056</u>	<u>14,310</u>	<u>423</u>	<u>35,333</u>
At 31 December 2006	17,544	3,056	14,310	423	35,333
Net book value					
At 31 December 2006	<u>17,666</u>	<u>2,589</u>	<u>4,651</u>	<u>-</u>	<u>24,906</u>
At 31 December 2005	<u>16,301</u>	<u>3,636</u>	<u>45,420</u>	<u>-</u>	<u>65,357</u>

9 Debtors: amounts due within one year

	2006 £000	2005 £000
Amounts due from fellow subsidiary undertakings	<u>159,357</u>	<u>-</u>

10 Debtors: amounts due after more than one year

	2006 £000	2005 £000
Amounts prepaid to fellow group undertaking	<u>6,869</u>	<u>5,496</u>

Notes (continued)

11 Creditors amounts falling due within one year

	2006 £000	2005 £000
Deferred consideration	-	4,098
Amounts owed to fellow subsidiary undertakings	144,195	4,342
	144,195	8,440

12 Provisions for liabilities and charges

	Other provisions £000	Decomm- issioning £000	Landfill aftercare £000	Total £000
At 1 January 2006	19,966	5,496	12,673	38,135
Charged to profit and loss account	28	1,111	4 203	5,342
New provisions capitalised in tangible fixed assets	1,782	-	-	1,782
Unwinding of discount (note 5)	362	278	618	1,258
Expended in year	(3,252)	(16)	(1)	(3,269)
	18,886	6,869	17,493	43,248

The Company provides for the estimated cost of decommissioning the landfill sites for which it holds licences/permits at the end of their operational life and for their subsequent after-care. The after-care period is generally expected to be 60 years. All provisions are discounted from the date on which the expenditure is expected to occur.

Other provisions include the estimated cost of discharging environmental liabilities, including current capping of open landfill areas and the disposal of leachate, which arise during the operational phase of the landfill sites for which the Company holds licences/permits.

Deferred taxation

	Provided 2006 £000	2005 £000	Unprovided 2006 £000	2005 £000
Capital allowances in excess of depreciation	600	3,068	-	-
Short term timing differences	(600)	(3,068)	(3,326)	(1,112)
	-	-	(3,326)	(1,112)

13 Called up share capital

	2006 £	2005 £
<i>Authorised, called up, allotted and fully paid</i> 100 ordinary shares of £1 each	100	100

Notes (continued)

14 Reserves

	Profit and loss account £000
At 1 January 2006	24,281
Profit for the financial year	77,413
Dividend	(98,000)
	3,694
At 31 December 2006	3,694

15 Reconciliation of movement in shareholders' funds

	2006 £000	2005 £000
Profit for the financial year	77,413	20,590
Dividend	(98,000)	-
	(20,587)	20,590
Net (deduction)/addition to shareholders' funds	24,281	3,691
Opening shareholders' funds	3,694	24,281
Closing shareholders' funds	3,694	24,281

16 Contingent liabilities

- a) 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

- b) On 21 December 2006, the Company was a party to the refinancing of Azincourt Investment, SL "Azincourt" and its subsidiary companies. Azincourt was the company used by Fomento de Construcciones y Contratas, S A for the acquisition of Waste Recycling Group Limited and its subsidiary undertakings including the Company. Under the re-financing, the Company acceded to the Facility Agreement as obligor and granted security by way a fixed charge over the shares of the Company and all related distribution rights and a floating charge over its present and future business, undertaking and assets. The Company also agreed to advance funds to Azincourt under the group's cash pooling arrangements for the purposes of, among other things, the repayment of principal, interest or other amounts under the Facility Agreement, or the payment of any other costs or expenses incurred by Azincourt directly or indirectly in connection with its acquisition of Waste Recycling Group Limited. The Company also entered in to a floating charge over all its present and future rights, title and interest to the cash pooling account and all amounts credited to it in its favour.

- c) On 25 September 2006, the Company together with several other Group companies, entered into a Letter of Credit Facility for £70 million with The Royal Bank of Scotland plc, allowing it to have performance bonds and letters of credit issued on its behalf necessary for the business of the Company.

Notes (continued)

17 Capital commitments

	2006 £000	2005 £000
Contracted for but not provided	-	-
	<u> </u>	<u> </u>

18 Operating lease commitments

At 31 December 2006, the Company had annual commitments under non-cancellable operating leases as follows

	Land and buildings		Plant and machinery	
	2006 £000	2005 £000	2006 £000	2005 £000
Which expire				
Within one year	-	-	9	11
In two to five years	-	-	21	119
In over five years	15	5	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>15</u>	<u>5</u>	<u>30</u>	<u>130</u>

19 Pension contributions

The Company participates in the defined contribution scheme operated by Waste Recycling Group Limited on behalf of its eligible employees. The assets of this scheme are held separately from those of the Company in independently administered funds.

Certain employees of the Company are members of the LAWDC's Pension Scheme in which Waste Recycling Group Limited is a participating employer. This is a defined benefit multi-employer scheme, the assets of which are held independently of the Group. The Company is unable to identify its share of the underlying assets and liabilities of the scheme. Further details regarding the scheme are provided in the financial statements of Waste Recycling Group Limited.

Contributions to the scheme for the period are stated below and the agreed contribution rate commencing from 1 January 2004 is 16%.

An actuarial valuation of the scheme at 31 March 2003 indicated that the scheme was 96% funded based upon the minimum funding requirement basis. The outcome of the 31 March 2006 actuarial valuation is in the process of finalisation. At 31 December 2006 the deficit on the WRG section of the LAWDC scheme, calculated on an FRS 17 basis, was £3,226,000 (2005 £5,184,000). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

The contributions made by the Company under the different schemes during the year were as follows:

	2006 £000	2005 £000
Defined contribution scheme	2	4
LAWDC pension scheme	122	123
	<u> </u>	<u> </u>
	<u>124</u>	<u>127</u>

Notes *(continued)*

20 Related party transactions

In the ordinary course of business, the Company also traded with fellow subsidiaries of Waste Recycling Group Limited

In the period prior to the change in the Company's ultimate parent undertaking on 27 September 2006, the Company also traded with fellow subsidiaries of WRG Holdings Limited (now Infinis Holdings Limited)

The Company has taken advantage of the exemption conferred by FRS 8 from disclosing details of these transactions

21 Ultimate parent company

The Directors regard Fomento de Construcciones y Contratas, S A , a company registered in Spain, as the ultimate controlling party and the ultimate parent entity

Fomento de Construcciones y Contratas, S A is the parent company of the largest group of which the Company is a member and for which group accounts are drawn up Waste Recycling Group Limited is the parent company of the smallest group of which the Company is a member and for which group accounts are drawn up Copies of the financial statements of both Waste Recycling Group Limited and Fomento de Construcciones y Contratas, S A are available from the Company Secretary, Ground Floor West, 900 Pavilion Drive, Northampton Business Park, Northampton, NN4 7RG