

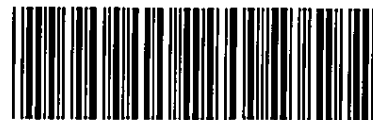
Anti-Waste Limited

Directors' report and financial statements

Registered number 1569257

31 December 2007

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Statutory information

Directors

JR Meredith
LJD Cassells
SN Hardman
M Robinson

Company secretary

JM 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 and business review

The directors (the "Directors") of Anti-Waste Limited (the "Company") present their annual report and the audited financial statements for the year ended 31 December 2007. References in this Directors' report to "the Group" cover the operations of Waste Recycling Group Limited and its subsidiaries, including the Company.

Overview

2007 heralded the start of an exciting future for Waste Recycling Group Limited ("WRG") under the ownership of Fomento de Construcciones y Contratas, S A ("FCC"), which acquired the Group in September 2006. FCC is a large multi-national business listed on the Spanish stock exchange, with operations in Europe, South America and the United States of America. FCC's principal operations cover public services management, construction, cement manufacture and real estate.

Following the acquisition of the Group, FCC is now a leading player in the UK waste management sector and the Board look forward to the opportunities that are presented to WRG and all of our employees by FCC's plans to expand their operations in the UK.

The Board see the development of major waste infrastructure and strategic long-term partnerships as key to our business development and we expect further considerable activity and deployment of Group resources into major Public Finance Initiative ("PFI") and Public Private Partnership ("PPP") schemes and provision of regional facilities such as the Allington Energy from Waste ("EfW") plant.

The Group remains of the view that EfW will be a key component of some regional waste strategies and in combination with recycling and recovery operations, backed up by landfill disposal for residues, represents a long term sustainable solution for meeting its clients diversion targets.

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.

Waste Recycling Group Limited is one of the leading waste management services companies in the UK. The Group and its subsidiary undertakings provide a range of cost effective and environmentally sustainable waste processing, recycling, disposal and energy recovery services for local authority and private commercial customers. Each year the Group receives, recycles and disposes of nearly 12 million tonnes of household, commercial and industrial waste. Through innovation, service and expertise WRG is committed to working with our local authority partners and industrial and commercial customers to respond to often complex and far-reaching waste management strategies, and to react to the challenge of meeting demanding waste management targets.

WRG comprises five main divisions -

- North Division – is responsible for all WRG's landfill, transfer, recycling, civic amenity, composting and recycling 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 Cumbrian collection, treatment and healthcare waste collection business.
- South Division – is responsible for all of WRG's landfill, transfer, recycling, civic amenity, composting and recycling operations in East Anglia, the South East, Lincolnshire, the West Midlands and South Wales and for the servicing of recycling banks in the eastern part of England.
- The Green Energy+ Division – manages Energy from Waste plants at Eastcroft in Nottingham (producing steam) and at Allington in Kent (producing electricity for export). The division also seeks to develop new opportunities in EfW through incineration and energy from alternative fuels and other renewable sources.
- Quarries Division – operates several quarries in Yorkshire.
- Municipal Infrastructure Development Division – created in February 2007 it has responsibility for delivering the Group's PFI, PPP and large capital bids for the local authority market.

Directors' report and business review (*continued*)

The Group is a key player within the municipal waste management sector, with over 110 contracts with around 60 local authorities for the provision of a wide range of waste treatment, recycling and disposal services

The RE3 Waste Partnership was the first PFI for WRG and its sister company, RE3 Limited, signed in October 2006 and commencing operations and construction works in December 2006. This £600 million, 25-year contract with Reading Borough Council, Bracknell Forest Borough Council and Wokingham Borough Council, is highly successful and is proving an excellent demonstration of WRG's exceptional capabilities in the PFI arena.

During 2007, a new £330 million, 25 year PFI waste contract aimed at further reducing reliance on landfill while boosting recycling rates, has been signed by Wrexham County Borough Council with WRG and another sister company of WRG, WRG Wrexham PFI Limited. The project aims to deliver a long term sustainable solution for the Council's waste and to enable it to meet its targets in relation to waste recycling, composting and landfill diversion, set by central Government. The majority of waste disposal and handling activities for these PFI contracts will be met by the Group.

In October 2007, the Group secured from the Environment Agency ("EA") the release of £34 million from an Escrow Account that had been established for the purposes of financial provisioning under the performance and observance of the provisions of the Group's Waste Management Licences ("WML") and Pollution Prevention Control ("PPC") Permits (including aftercare provisions). In its place, the Group has provided the EA with a three year renewable umbrella bond, capped at £93 million, in favour of the EA.

Objectives, strategy and risk

The Group's overall strategy is to become one of the leading integrated waste management companies in the UK through the continued creation of value in our business by maximisation of the opportunities presented by new legislation affecting the waste sector.

WRG aims to become the partner of choice for all of our local authority, industrial and commercial customers. Our objective is to achieve sustainable business growth through the retention of existing customers and seeking and winning new and replacement business on an ongoing basis. In addition, we are developing into a key player in the PFI and PPP market in line with the Group's strategy and have two major PFI and one PPP partnership under our management.

WRG continues to expand its network and range of treatment and recycling services in addition to our landfill sites. It is this business platform which will enable us to continue to meet the needs of our customers as they transition to long term PFI based solutions.

In the UK waste materials are now being viewed as an increasingly important resource. WRG is taking advantage of the range of opportunities available to use waste for power generation and to provide recycled materials.

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

- **Services** New waste management solutions continue to be developed for both new and existing customers. We pride ourselves on working with our customers to find the best value integrated solutions that put recycling, composting and other diversion at the heart of our clients' waste management strategies.
- **Stakeholders** The Group is working to strengthen relationships with our customers, suppliers, employees, contractors and other stakeholders including the local communities in the areas within which we operate.
- **Environment** The Group strives to achieve environmental best practice across its operations. To achieve this, policies, procedures and performance are kept under continuous review by the Directors and we also maintain an ongoing close relationship with the relevant regulatory bodies including the Environment Agency and the Scottish Environment Protection Agency.

Directors' report and business review (*continued*)

- **Community Waste Recycling Environmental Limited (WREN)** is the independent distributive environmental body that administers the tax credits generated by the landfill disposal activities of the Group. The Landfill Communities Fund, established by the Government in 1996, allows landfill operators to claim a proportion of the tax that is charged on waste disposed to landfill, and commit it to qualifying projects under the Fund via registered bodies such as WREN. Approximately £15 million a year is allocated by WREN and other registered environmental bodies to numerous community and environmental projects.
- **Employees** The Group aims to enhance the overall quality of our workforce, by providing good working conditions, including training and development opportunities and by careful recruitment processes.

The Group's particular focus areas for 2007 align with the objectives published by the EA in its Sector Plan for the waste management industry.

- **Improve health and safety, reduce accidents** The Group treats health and safety as a priority and is continually seeking improvements to ensure a safe environment for all employees and stakeholders. In 2007, the Group repeated, for the third year running, its target of a 10% reduction in the number of reportable injuries ("RIDDOR"s). These are major injuries reportable under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 1995 and resulting in more than three days absence. WRG's target is in line with the EA's Key Performance Indicator ("KPI") of a 10% improvement in RIDDORs year on year, as published in the EA Waste Sector Plan.
- **Mitigate impacts on climate change** The Group is committed to reducing its greenhouse gas emissions and will continue to report on the reduction of its methane and carbon dioxide emissions in its Corporate Social Responsibility Report. At the end of 2007, the Group had a total installed power generation capacity of 253MW on its landfill sites, managed by outside contractors.
- **Improve the level of compliance within the regulated community and reduce the frequency and level of illegal activity** The Group understands the responsibilities of operating in the UK's highly controlled waste management industry. The Board takes these responsibilities very seriously and as a corporate body is committed to acting as a fit and proper person at all times, in accordance with the terminology in its operating licence and permit conditions. During 2007 one Group company was prosecuted for breach of duty of care for the escape of litter from landfill. As a consequence, the Group company has put in place a detailed post conviction plan. In addition, six non-compliance notices were received. There were no Health and Safety improvement notices in the year.

Operating in the highly regulated waste management market contains numerous risks and uncertainties for the Company. In response, the Board 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 regard the following to be the principal risks and uncertainties affecting the Group and their 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 expeditiously any improvements identified as necessary. 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 Group's operations and it employs a dedicated team, headed by the Group Health and Safety Manager 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.

Directors' report and business review (*continued*)

- **Environmental risks** The Group's operations are tightly controlled 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 Group'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 WRG team. The Group has adopted a formal environmental policy, which was reviewed and revised in 2007 and there are 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. WRG's IT systems are managed by a specialist IT services company to ensure full business continuity.
- **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. Some municipal contracts 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 a 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.
- **Competitive risk** The Group operates in highly competitive markets. Competitors may offer services at rates below that of the Group. 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 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 enables the Group to draw on wider resources from within the FCC group.

Future trends and developments

The Directors consider that the business of the Group 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. Furthermore, the Group plans to work ever more closely with its municipal and trade customers and to become their partner of choice in developing long term sustainable methodologies for waste treatment and disposal. 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.

Directors' report and business review (continued)

Results and dividends

The results of the Company for the year ended 31 December 2007 are set out on page 12. The loss for the financial year ended 31 December 2007 amounted to £349,000 (2006 profit £7,374,000). The Company did not pay an interim dividend during the year (2006 £3,000,000) and furthermore the Directors do not propose the payment of a final dividend (2006 *£nil*). The retained loss of £349,000 (2006 retained profit £7,374,000) has therefore been withdrawn from (2006 transferred to) reserves.

Other Financial and Non-Financial Key Performance Indicators (KPIs)

To help deliver the strategy and to assist in managing operational performance of the business, the following KPIs form part of the tools used by management to monitor business 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.

	2007 £000	2006 £000
EBITDAP	7,207	7,155
EBITDAP from continuing operations	7,207	6,790

- **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.

	2007 %	2006 %
ROCE	(9.0)	63.1

- Both the Company's EBITDAP and ROCE are in line with Directors' expectations.
- Total ROCE reduced in 2007, principally because 2006 included the profit on sale of the renewable energy business.
- WRG's main safety KPI over recent years has been the Reportable Incidence Rate ("RIR") 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 2007, WRG achieved a 14% improvement in RIR over the prior year (1,450 versus 1,687 in 2006). WRG also achieved its target of a 10% reduction in the number of RIDDORS. Major incident causation factors are the focus for improvement going forward via a campaign of toolbox talks, posters and e-learning.

Directors' report and business review (*continued*)

- 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. The KPIs for each of these activities are set at every landfill site and reported on a monthly basis, both individually and in aggregate. The KPI for landfill gas relates to the proportion of gas migration monitoring points sampled that are compliant within given limits. The KPI for leachate, relates to the proportion of leachate level monitoring points that are compliant.
- For landfill gas migration, the average KPI compliance in 2007 was 92.8% (2006 93.2%). We continue to monitor performance in this area and have a program of capping in 2008 to improve this measure.
- Leachate monitoring continues in accordance with our permits, although it should be noted that re-issued permits have varied the compliance levels at some sites. The re-issue of permits at some sites is outstanding, and therefore the reliability of the leachate compliance KPI needs to reflect this uncertainty. Based on the consolidation of monitoring data, the comparison between December 2006 and December 2007 shows a 10.1% improvement in the average compliance of the Group's sites (51.3% in 2007 versus 41.2% in 2006). Taking into consideration the high levels of rainfall in 2007 this result is encouraging. It is anticipated that the progression of the Group leachate strategy, and our continuation of capping (and catch-up capping) works should further improve the overall leachate picture in 2008.
- During 2007, WRG commenced the development of an Integrated Management System ("IMS") that included registration to ISO9001 for Quality Management and ISO18001 for Health and Safety management system procedures. The implementation of an integrated approach to WRG's management systems accommodates our growing needs and demands for the governance of organisational risk and will define the specification of common management standards. The benefits of such an integrated approach often include improved business focus including less conflict between systems, a reduction in duplication and bureaucracy and improved internal and external audit efficiency.

Directors

The Directors who served as directors of the Company during the year ended 31 December 2007 and up to the date of this report were as follows:

JR Meredith
LJD Cassells
SN Hardman
M Robinson

Employees

The professionalism and commitment shown by our employees over the last year, during which time many structural and organisational changes have taken place, has been a major contribution to the successful integration of WRG into the FCC Group. The Board would like to thank all employees for their hard work and commitment during what has been another challenging and eventful year.

In 2007 there was an average workforce of 1,157 staff. The Group's employee turnover of 14.1% for 2007 (2006 16.7%) is less than the national average of 22.9% reported for the private sector in 2007.

The Group is committed to ensuring that our policies and practices reflect HR best practices for the whole life-cycle of our employment relationship and our policy of equal opportunity gives all employees the same opportunity to succeed, irrespective of age, race, nationality, ethnic origin, disability, membership of a trade union, sex or marital status. The Group has a structured training and development programme and is fully committed to ensuring that all employees have the necessary skills and knowledge to do their jobs effectively. 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.

Directors' report and business review (*continued*)

The Board are committed to maintaining the highest standards of honesty, openness and accountability and recognise that employees have an important part to play in achieving this goal. All employees are encouraged to report any concerns they may have over wrongdoing at work via the internal reporting system. Alternatively, WRG has engaged an independent confidential reporting (whistleblowing) service, should employees have concerns that they do not feel comfortable disclosing directly to management.

WRG conducts an annual independent and confidential employee survey through an external partner. The survey is used to obtain feedback from employees about working for the Group and the findings are used to respond to areas identified for improvement. The results of the last survey were very positive and told us that 76% of employees were proud to work for WRG and 75% said that their work gives them a feeling of personal accomplishment.

The Directors recognise the importance of communication with employees and members of the Executive management team regularly visit sites and discuss with staff, matters of current interest and concern to the business. In addition, there is a monthly Team Brief, whereby the Executive report on the month's successes and performance to the entire Group and all employees are given the opportunity to ask questions to the Executive management team. An in-house magazine is also published on a regular basis.

Elective regime

On 31 July 2003 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), and
- 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.

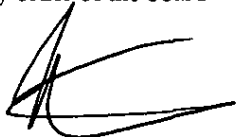
Disclosure of information to auditors

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 31 July 2003, the Company is not obliged to reappoint its auditors annually and KPMG LLP will therefore continue in office.

By order of the board



JM Bolton
Company Secretary

10 March 2008

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
1 The Embankment
Neville Street
Leeds
LS1 4DW

Independent auditors' report to the members of Anti-Waste Limited

We have audited the financial statements of Anti-Waste Limited for the year ended 31 December 2007 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 9.

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 Anti-Waste 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 2007 and of its loss 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

31 March 2008

Profit and loss account
year ended 31 December 2007

		Total	Continuing operations	Discontinued operations	Total
	<i>Note</i>	2007 £000	2006 £000	2006 £000	2006 £000
Turnover	2	29,897	29,516	461	29,977
Cost of sales		(29,231)	(25,087)	(184)	(25,271)
		<hr/>	<hr/>	<hr/>	<hr/>
Gross profit		666	4,429	277	4,706
Administrative expenses		(1,489)	(2,089)	-	(2,089)
		<hr/>	<hr/>	<hr/>	<hr/>
Operating (loss)/profit		(823)	2,340	277	2,617
Profit on disposal of discontinued operations	3	-	-	4,776	4,776
		<hr/>	<hr/>	<hr/>	<hr/>
(Loss)/profit on ordinary activities before interest		(823)	2,340	5,053	7,393
		<hr/>	<hr/>	<hr/>	<hr/>
Net interest (payable)/receivable	5	(207)			7
		<hr/>			<hr/>
(Loss)/profit on ordinary activities before taxation	3	(1,030)			7,400
Tax on (loss)/profit on ordinary activities	6	681			(26)
		<hr/>			<hr/>
(Loss)/profit for the financial year	17	(349)			7,374
		<hr/>			<hr/>

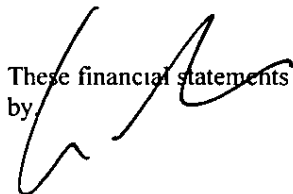
All results in the year ended 31 December 2007 relate to continuing operations

There are no recognised gains and losses in either the financial year ended 31 December 2007 or previous financial year other than as stated in the profit and loss account. Therefore, no separate statement of total recognised gains and losses has been presented.

Balance sheet
at 31 December 2007

	<i>Note</i>	2007 £000	2006 £000
Fixed assets			
Intangible assets	8	2,606	2,805
Tangible assets	9	24,167	24,310
Investments	10	1	1
		<hr/>	<hr/>
		26,774	27,116
		<hr/>	<hr/>
Current assets			
Debtors: amounts due within one year	11	9,584	6,416
Debtors: amounts due after more than one year	12	1,715	1,471
		<hr/>	<hr/>
Total debtors		11,299	7,887
Cash at bank and in hand		1	-
		<hr/>	<hr/>
		11,300	7,887
Creditors: amounts falling due within one year	13	(5,422)	(4,208)
		<hr/>	<hr/>
Net current assets		5,878	3,679
		<hr/>	<hr/>
Total assets less current liabilities		32,652	30,795
		<hr/>	<hr/>
Creditors: amounts falling due after more than one year	14	(12,356)	(12,356)
		<hr/>	<hr/>
Provisions for liabilities and charges	15	(8,914)	(6,708)
		<hr/>	<hr/>
Net assets		11,382	11,731
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	16	8,062	8,062
Share premium account	17	83	83
Revaluation reserve	17	2,285	2,338
Profit and loss account	17	952	1,248
		<hr/>	<hr/>
Equity shareholders' funds	18	11,382	11,731
		<hr/>	<hr/>

These financial statements were approved by the board of Directors on 10 March 2008 and were signed on its behalf by:



LJD Cassells
Director

Note of historical cost profits and losses
year ended 31 December 2007

	2007 £000	2006 £000
(Loss)/profit on ordinary activities before taxation	(1,030)	7,400
Difference between historical cost depreciation charge and the actual depreciation charge calculated on the revalued amounts	53	53
Historical cost (loss)/profit on ordinary activities before taxation	(977)	7,453
Historical cost (loss)/profit for the year after taxation	(296)	7,427

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 as modified by the revaluation of freehold properties

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 a wholly owned subsidiary of a group which has prepared a consolidated cash flow statement

Consolidation

The Company has claimed exemption from the preparation of consolidated financial statements under section 228 of the Companies Act 1985 as it is a subsidiary of a group which has prepared consolidated financial statements. Accordingly, these financial statements present information about the Company and not the group

Goodwill

Purchased goodwill, representing the excess of purchase price over the fair value of the assets acquired, is capitalised and is being written off on a straight-line basis over its estimated useful life up to a maximum of 20 years. The Directors regard 20 years as a reasonable maximum for the estimated useful life of goodwill.

Purchased goodwill arising in earlier years, totalling £3,395,000 (2006 £3,395,000) representing the excess of the purchase price over the fair value of the net assets acquired, was set off against reserves in the year in which it arose.

As a matter of accounting policy, goodwill arising on acquisitions prior to the implementation of FRS10 'Goodwill and Intangible Assets' has been eliminated against reserves. Amounts will be charged or credited to the profit and loss account on subsequent disposal of the business to which it relates.

Investments

Investments are stated at cost less provision for any impairment.

Tangible fixed assets

Freehold and leasehold properties and licence agreements are stated at original costs or subsequent valuation. Other tangible fixed assets are shown at cost. Depreciation is provided on tangible fixed assets in use at rates calculated to write off the cost, or revalued amount, less residual value of each asset as follows:

Freehold buildings	- over 25 to 50 years
Landfill sites	- based on the void used in the period as a proportion of total void
Leasehold properties and licence agreements	- over the expected life
Plant and machinery	- over 3 to 20 years
Motor vehicles	- over 4 years

No depreciation is provided for on freehold land.

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.

Notes (continued)

1 Accounting policies (continued)

Turnover

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

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

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

Leases

Leases are operating leases and the relevant annual rental is charged to the profit and loss account on a straight line basis over the lease term

Post Retirement Benefits

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and the contributions actually paid are shown as either accruals or prepayments in the balance sheet

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.

2 Turnover

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

Notes (continued)

3 (Loss)/profit on ordinary activities before taxation

	2007 £000	2006 £000
(Loss)/profit on ordinary activities before taxation is after (crediting)/charging exceptional items:		
Included in cost of sales		
- Increase in decommissioning and after-care provisions on revision of estimate of future costs (note a)	454	-
- Increase in other provisions (note a)	-	400
- Impairment of tangible fixed assets	1,904	-
	<u>2,358</u>	<u>400</u>
Profit on disposal of discontinued operations (note b)	-	(4,776)
(Loss)/profit on ordinary activities before taxation is after charging/(crediting):		
Depreciation – owned assets	6,741	4,245
Profit on disposal of fixed assets	(113)	(7)
Amortisation of goodwill	199	199
Operating lease rentals – land and buildings	38	47
Operating lease rentals – plant and machinery	274	291

- (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 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 £7,900,000. 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

4 Information regarding Directors and employees

None of the Directors received any remuneration or benefits from the Company during the year ended 31 December 2007 or the year ended 31 December 2006. They are remunerated as directors or employees of the Company's immediate parent company, Waste Recycling Group Limited

	2007 £000	2006 £000
Wages and salaries	857	873
Social security costs	89	87
Other pension costs	10	10
	<u>956</u>	<u>970</u>
	No	No
The average weekly number of employees (including the Directors) in the year	<u>44</u>	<u>45</u>

Notes (continued)

5 Net interest (payable)/receivable

	2007 £000	2006 £000
Interest receivable and similar income		
Other interest receivable (note 3)	-	240
	<u> </u>	<u> </u>
Interest payable and similar charges		
Unwinding of discount (note 15)	(207)	(233)
	<u> </u>	<u> </u>
Net interest (payable)/receivable	<u>(207)</u>	<u>7</u>

6 Taxation

	2007 £000	2006 £000
UK Corporation tax		
United Kingdom corporation tax at 30% (2006 30%) based on (losses)/profits for the year	-	-
Adjustments in respect of prior years	-	(53)
	<u> </u>	<u> </u>
Total current tax credit	-	(53)
Deferred tax		
Timing differences, origination and reversal	(681)	79
	<u> </u>	<u> </u>
Tax on (loss)/profit on ordinary activities	<u>(681)</u>	<u>26</u>

The total current tax charge for both the current and previous year is different from the standard rate of 30% (2006 30%) for the reasons set out in the following reconciliation

	2007 £000	2006 £000
(Loss)/profit on ordinary activities before tax	<u>(1,030)</u>	<u>7,400</u>
Tax on (loss)/profit on ordinary activities at standard rate	(309)	2,220
Factors affecting charge		
Non-taxable items	-	(2)
Exempt profit on asset sales	-	(1,433)
Losses surrendered/(claimed) from fellow group companies	(481)	290
Depreciation in excess of capital allowances	1,806	931
Utilisation of general provisions	(25)	(88)
Amortisation of goodwill	60	60
Site preparation relief	(1,051)	(1,978)
Adjustments in respect of prior years	-	(53)
	<u> </u>	<u> </u>
	-	(53)
	<u> </u>	<u> </u>

Notes (continued)

7 Dividends

	2007 £000	2006 £000
Interim dividend paid of £nil (2006 £0.37) per ordinary share	-	3,000

8 Intangible fixed assets

	Goodwill £000
Cost or valuation	
At 1 January 2007 and 31 December 2007	3,979
Amortisation	
At 1 January 2007	1,174
Charge for the year	199
At 31 December 2007	1,373
Net book value	
At 31 December 2007	2,606
At 31 December 2006	2,805

Notes (continued)

9 Tangible fixed assets

	Landfill sites £000	Other properties £000	Plant and equipment £000	Motor vehicles £000	Total £000
Cost					
At 1 January 2007	32,912	16,859	1,888	136	51,795
Additions	6,444	80	71	-	6,595
Disposals	-	-	(1,151)	(36)	(1,187)
Transfers between group companies/reclassifications	-	-	(187)	(6)	(193)
At 31 December 2007	39,356	16,939	621	94	57,010
Depreciation					
At 1 January 2007	20,460	5,190	1,701	134	27,485
Charge for the year	5,897	755	87	2	6,741
Disposals	-	-	(1,151)	(34)	(1,185)
Transfers between group companies/reclassifications	-	-	(190)	(8)	(198)
At 31 December 2007	26,357	5,945	447	94	32,843
Net book value					
At 31 December 2007	12,999	10,994	174	-	24,167
At 31 December 2006	12,452	11,669	187	2	24,310

	2007 £000	2006 £000
Freehold properties are stated at		
Open market value at 31 December 1993	4,100	4,100
Cost	33,402	26,958
At 31 December	37,502	31,058

Comparable amounts determined according to the historical cost convention for freehold properties

	2007 £000	2006 £000
Cost	44,301	37,857
Accumulated depreciation based on historical cost	(23,439)	(17,595)
Historical cost net book value	20,862	20,262

All other assets are stated at historical cost

Notes (continued)

10 Fixed asset investments

	2007 £000	2006 £000
Cost and net book value At 1 January and 31 December	1	1

Investments comprise the following

Name	Country of registration	Proportion of ordinary capital held	Nature of business
Anti-Rubbish Limited	England and Wales	100%	Dormant
Anti-Waste (Restoration) Limited	England and Wales	100%	Restoration and monitoring services

11 Debtors: amounts due within one year

	2007 £000	2006 £000
Trade debtors	75	-
Amounts due from fellow group undertakings	9,491	6,416
Prepayments	18	-
	<u>9,584</u>	<u>6,416</u>

12 Debtors: amounts due after more than one year

	2007 £000	2006 £000
Amounts prepaid to fellow group undertaking	1,715	1,471

13 Creditors: amounts falling due within one year

	2007 £000	2006 £000
Trade creditors	316	-
Amounts owed to other group undertakings	4,208	4,208
Other creditors	125	-
Accruals and deferred income	773	-
	<u>5,422</u>	<u>4,208</u>

Notes (continued)

14 Creditors: amounts falling due after more than one year

	2007 £000	2006 £000
Amount owed to parent undertaking	12,356	12,356

The amount owed to the parent undertaking was not subject to agreed repayment terms. The parent undertaking confirmed that it would not be called for repayment within 12 months of the balance sheet date. Accordingly, it is disclosed as due after more than one year.

15 Provisions for liabilities and charges

	Deferred taxation £000	Other provisions £000	Decomm- issioning £000	Landfill aftercare £000	Total £000
At 1 January 2007	681	1,765	1,472	2,790	6,708
Charged/(credited) to profit and loss account	(681)	603	200	400	522
New provisions capitalised in tangible fixed assets	-	2,334	-	-	2,334
Unwinding of discount (note 5)	-	3	62	142	207
Expended in year	-	(746)	(19)	(92)	(857)
At 31 December 2007	-	3,959	1,715	3,240	8,914

The Company provides for the estimated cost of decommissioning its landfill sites at the end of their operational life and for their subsequent aftercare. The aftercare 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 its landfill sites.

Deferred taxation

	Provided		Unprovided	
	2007 £000	2006 £000	2007 £000	2006 £000
Accelerated capital allowances	-	1,112	(99)	-
Other short term timing differences	-	(431)	(1,028)	-
At 31 December	-	681	(1,127)	-

The Company has unprovided deferred tax assets as there is insufficient certainty as to whether events will materialise to crystallise the deferred tax.

Notes (continued)

16 Called up share capital

	2007 £000	2006 £000
<i>Authorised</i>		
8,100,000 ordinary shares of £1 each	8,100	8,100
	<u>8,100</u>	<u>8,100</u>
<i>Called up, allotted and fully paid</i>		
8,061,500 ordinary shares of £1 each	8,062	8,062
	<u>8,062</u>	<u>8,062</u>

17 Movement on reserves

	Share premium account £000	Revaluation reserve £000	Profit and loss account £000	Total £000
At 1 January 2007	83	2,338	1,248	3,669
Loss for the financial year	-	-	(349)	(349)
Transfer from revaluation reserve	-	(53)	53	-
	<u>83</u>	<u>2,285</u>	<u>952</u>	<u>3,320</u>
At 31 December 2007	83	2,285	952	3,320

18 Reconciliation of movement in shareholders' funds

	2007 £000	2006 £000
(Loss)/profit for the financial year	(349)	7,374
Dividends	-	(3,000)
	<u>(349)</u>	<u>4,374</u>
Net (deductions from)/additions to shareholders' funds	(349)	4,374
Opening shareholders' funds	11,731	7,357
	<u>11,731</u>	<u>7,357</u>
Closing shareholders' funds	11,382	11,731
	<u>11,382</u>	<u>11,731</u>

Notes (continued)

19 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. The Facility Agreement was amended on 27 March 2007, principally reducing the level of the facility and on 22 June 2007 primarily to extend a deadline for the release of an escrow account fund from the EA.

20 Capital commitments

	2007 £000	2006 £000
Contracted at 31 December	-	-

21 Pension contributions

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

The contributions made by the Company under the scheme during the year amounted to £10,000 (2006 10,000)

22 Operating lease commitments

At 31 December 2007, the Company had annual commitments under non-cancellable operating leases as follows

	Land and buildings		Plant and machinery	
	2007 £000	2006 £000	2007 £000	2006 £000
Which expire				
Within one year	-	-	4	-
In two to five years	10	14	4	12
In over five years	60	88	-	-
	<u>70</u>	<u>102</u>	<u>8</u>	<u>12</u>

Notes (continued)

23 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 (renamed Infinis Holdings Limited)

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

24 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