

Landfill Management Limited

Directors' report and financial statements

Registered number 2069821

31 December 2004



Contents

Statutory information	1
Directors' report	2
Statement of Directors' responsibilities	4
Report of the independent auditors to the members of Landfill Management Limited	5
Profit and loss account	6
Balance sheet	7
Reconciliation of movements in shareholders' funds	8
Notes	9

Statutory information

Directors

JR Meredith
LJD Cassells
SN Hardman

Company secretary

JM Bolton

Joint company secretary

SJ Calder

Registered office

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

Auditors

KPMG LLP
1 Puddle Dock
London
EC4V 3PD

Directors' report

The directors (the "Directors") of Landfill Management Limited (the "Company") present their annual report and the audited financial statements for the year ended 31 December 2004.

Principal activity

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

Review of business and future developments

The results of the Company for the year are set out on page 6. In the opinion of the Directors the Company has traded satisfactorily during the year and the present level of activity will be sustained for the foreseeable future.

Developments in the year

On 15 December 2004 the Company was a party to the refinancing of WRG Finance plc and its subsidiary companies under which it granted security by way of fixed and floating charge over its assets and became a borrower and guarantor under an Amended and Restated Facilities Agreement dated 9 December 2004. In addition, the Company became a Subsidiary Guarantor of Second Lien Floating Rate Notes due 2011 issued by WRG Acquisitions plc and also 9% Senior Notes due 2014 issued by WRG Finance plc.

Dividends and transfers to reserves

The result for the year are shown on page 6. The Directors do not propose payment of a dividend (2003: *£nil*) and thus the retained profit of £1,267,000 (2003: £1,835,000) has been transferred to reserves.

Directors and their interests

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

JR Meredith	
LJD Cassells	(appointed 15 January 2004)
SN Hardman	(appointed 16 August 2004)
R Prior	(resigned 15 January 2004)

None of the Directors or connected persons held an interest in the share capital of the Company during the year under review. The interests of the Directors and connected persons in the share capital of WRG Investments Limited (formerly Cholet Investments Limited), an indirect parent company of the Company, at 31 December 2004 are set out below:

		31 December 2004		1 January 2004*	
		Beneficial	Non-beneficial	Beneficial	Non-beneficial
LJD Cassells	'B' Ordinary shares £0.01	500	-	-	-
SN Hardman	'B' Ordinary shares £0.01	300	-	-	-
JR Meredith	'B' Ordinary shares £0.01	2,000	-	-	-

*or date of appointment if later

Directors' report *(continued)*

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 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 in either the current or previous financial year.

By order of the board



JM Bolton
Company Secretary

28 October

2005

Statement of Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the 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 Puddle Dock
London
EC4V 3PD
United Kingdom

Report of the independent auditors to the members of Landfill Management Limited

We have audited the financial statements on pages 6 to 15.

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 are responsible for preparing the Directors' report and, as described on page 4, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the Company is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

31 October 2005

Profit and loss account
year ended 31 December 2004

	<i>Note</i>	2004 £000	2003 £000
Turnover	2	4,725	6,686
Cost of sales (including exceptional credits of £644,000 (2003: exceptional credits of £1,232,000) - see note 3)		(3,208)	(4,306)
Gross profit		1,517	2,380
Administrative expenses		(211)	(430)
Operating profit		1,306	1,950
Interest payable and similar charges	5	(39)	(102)
Profit on ordinary activities before taxation	3	1,267	1,848
Tax on profit on ordinary activities	6	-	(13)
Profit for the financial year		1,267	1,835

All results are derived from continuing operations.

There are no recognised gains or losses in the current 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 loss on a historical cost basis and that shown in the profit and loss account.

Balance sheet
at 31 December 2004

	<i>Note</i>	2004 £000	Restated 2003 £000
Fixed assets			
Tangible assets	7	4,610	3,940
Current assets			
Debtors: amounts due within one year	8	297	1,177
Creditors: amounts falling due within one year	9	(1,761)	(2,489)
Net current liabilities		(1,464)	(1,312)
Total assets less current liabilities		3,146	2,628
Provisions for liabilities and charges	10	(558)	(1,307)
Net assets		2,588	1,321
Capital and reserves			
Called up share capital	11	2,000	2,000
Profit and loss account		588	(679)
Equity shareholders' funds		2,588	1,321

These financial statements were approved by the board of Directors on 28 October 2005 and were signed on its behalf by:



Les Cassells
Director

Reconciliation of movements in shareholders' funds

year ended 31 December 2004

	2004 £000	Restated 2003 £000
Profit for the financial year	1,267	1,835
Prior year adjustment – see note 1	-	880
Net addition to shareholders' funds	1,267	2,715
Opening shareholders' funds (2004: originally £441,000 before prior year adjustment of £880,000)	1,321	(1,394)
Closing shareholders' funds	2,588	1,321

Notes

(forming part of the financial statements)

1 Accounting policies

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

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

Related party transactions

As the Company is an indirectly wholly owned subsidiary of WRG Holdings Limited (formerly Cholet Holdings Limited), the company has taken advantage of the exemption contained in FRS8 and has therefore not disclosed transactions or balances with entities that form part of the group. The consolidated financial statements of WRG Holdings Limited, within which the Company is included, can be obtained from the address given in note 17.

Fixed assets and depreciation

Tangible fixed assets are stated at cost.

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

Freehold landfill sites	- based on the void used in the period as a proportion of total void
Plant and equipment	- 3 to 10 years
Motor vehicles	- 3 to 5 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.

Operating leases

Operating leases and the relevant annual rentals are charged to the profit and loss account on a straight-line basis over the lease term.

Post Retirement Benefits

The Company participates in two pension schemes 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 FRS17 '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.

Restoration 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 restoration liabilities at the Company's landfill sites, which has been capitalised in fixed assets. The Company continues to provide for all aftercare 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 restoration 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.

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 FRS19.

Prior year adjustment

On 29 August 2003, the Company allotted 879,998 ordinary £1 shares issued at par value to the Company's immediate parent company, 3C Waste Limited. This transaction was inadvertently not reflected in the financial statements of the Company for the year ended 31 December 2003. The comparative balance sheet has been restated by increasing amounts owed by 3C Waste Limited to the Company by £879,998 and increasing share capital accordingly. The opening net assets have been increased by £879,998.

2 Turnover

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

3 Profit on ordinary activities before taxation

	2004 £000	2003 £000
Profit on ordinary activities before taxation is stated after crediting exceptional items (included in cost of sales):		
- Decrease in restoration and aftercare provisions on revision of estimation basis (note a)	(644)	(1,232)

(a) 2004: reassessment of the Company's obligation for restoration and after-care costs in respect of landfill sites and the recognition of other specific liabilities following the refinancing of WRG Finance plc and its subsidiary companies (2003: reassessment (following the acquisition of the Company by WRG Acquisitions plc (formerly Cholet Acquisitions Limited)) of the Company's obligation for restoration and after-care costs in respect of landfill sites and the recognition of other specific liabilities.)

Profit on ordinary activities before taxation is stated after charging:

Depreciation and other amounts written off tangible fixed assets	228	134
Operating leases – hired plant and machinery	164	182

Auditors' remuneration has been met by the Company's fellow subsidiary undertaking, Waste Recycling Limited.

4 Information regarding Directors and employees

None of the Directors received any remuneration or other benefits through the Company during the year. They are remunerated as directors or employees of the Company's parent company, Waste Recycling Group Limited.

	2004 No.	2003 No.
Average number of persons employed by the company during the year:	13	14

Notes (continued)

4 Information regarding directors and employees (continued)

	2004 £000	2003 £000
Staff costs incurred during the year in respect of these employees were:		
Wages and salaries	249	247
Social security costs	20	19
Other pension costs	18	24
	<u>287</u>	<u>290</u>

5 Interest payable and similar charges

	2004 £000	2003 £000
Bank interest payable and similar charges	-	117
Unwinding of discount (note 10)	39	(15)
	<u>39</u>	<u>102</u>

6 Taxation

	2004 £000	2003 £000
UK Corporation tax		
United Kingdom corporation tax at 30% (2003: 30%) based on profits for the year	-	-
Adjustments in respect of prior years	-	13
	<u>-</u>	<u>13</u>
Tax on profit on ordinary activities	-	13

The total current tax charge for the current year and previous year are less than the standard rate of 30% for the reasons set out in the following reconciliation:

	2004 £000	2003 £000
Profit on ordinary activities before tax	1,267	1,846
Tax on profit on ordinary activities at standard rate	380	554
Factors affecting charge:		
Non-taxable amounts	-	(6)
Group loss relief claimed	(414)	(329)
Depreciation in excess of capital allowances	34	36
Utilisation of general provisions	-	(238)
Site preparation relief	-	(17)
Adjustments in respect of prior years	-	13
	<u>-</u>	<u>13</u>

Notes (continued)

7 Tangible fixed assets

	Landfill sites £000	Other property £000	Plant and equipment £000	Total £000
Cost				
At 1 January 2004	2,966	-	4,062	7,028
Additions	-	-	897	897
Transfers between group companies/reclassifications	-	2	-	2
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2004	2,966	2	4,959	7,927
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At 1 January 2004	2,963	-	125	3,088
Charge for the year	3	-	225	228
Transfers between group companies/reclassifications	-	1	-	1
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2004	2,966	1	350	3,317
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 December 2004	-	1	4,609	4,610
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2003	3	-	3,937	3,940
	<hr/>	<hr/>	<hr/>	<hr/>

The cost and depreciation amounts for certain assets have been reclassified following a detailed review by management of the fixed asset records.

8 Debtors: amounts due within one year

	2004 £000	Restated 2003 £000
Amounts due from fellow group undertakings	297	297
Amounts due from parent undertaking	-	880
	<hr/>	<hr/>
	297	1,177
	<hr/>	<hr/>

9 Creditors: amounts falling due within one year

	2004 £000	2003 £000
Amounts owed to fellow group companies	1,761	2,489
	<hr/>	<hr/>

Notes (continued)

10 Provisions for liabilities and charges

	Other provisions £000	Landfill aftercare £000	Total £000
At 1 January 2004	4	1,303	1,307
Credited to profit and loss account following a revision of estimation basis	-	(644)	(644)
Charged in profit and loss account	(4)	4	-
Unwinding of discount (note 5)	-	39	39
Expenditure in the year	-	(144)	(144)
	<hr/>	<hr/>	<hr/>
At 31 December 2004	-	558	558
	<hr/>	<hr/>	<hr/>

The Company provides for the estimated cost of restoring its landfill sites at the end of their operational life and for their subsequent after-care. The after-care period is generally expected to be between 30 and 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

	2004 £000	Provided 2003 £000	Unprovided 2004 £000	2003 £000
Depreciation in excess of capital allowances	-	-	(15)	(17)
Short term timing differences	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	(15)	(17)
	<hr/>	<hr/>	<hr/>	<hr/>

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

11 Called up share capital

	2004 £'000	Restated 2003 £'000
<i>Authorised:</i>		
2,000,000 ordinary shares of £1 each	2,000	2,000
	<hr/>	<hr/>
<i>Allotted, called up and fully paid:</i>		
2,000,000 ordinary shares of £1 each	2,000	2,000
	<hr/>	<hr/>

On 29 August 2003, the Company allotted 879,998 ordinary £1 shares to the Company's immediate parent company, 3C Waste Limited. This transaction was not reflected in the financial statements of the Company for the year ended 31 December 2003. The comparative figures have been restated accordingly.

Notes (continued)

12 Reserves

Profit and loss account

	£000
At 1 January 2004	(679)
Profit for the financial year	1,267
	<hr/>
At 31 December 2004	2,588
	<hr/>

13 Contingent liabilities

- a) The Company has entered into unlimited cross-guarantees with its bankers relating to the borrowings of other group companies.
- b) The Company is a member of a group VAT registration and as such has contingent liabilities for VAT in respect of other members of the group.
- c) On 15 December 2004, the Company was a party to the refinancing of WRG Finance plc and its subsidiary companies under which it granted security by way of fixed and floating charge over its assets and became a borrower and guarantor under an Amended and Restated Facilities Agreement dated 9 December 2004. In addition, the Company became a Subsidiary Guarantor of Second Lien Floating Rate Notes due 2011 issued by WRG Acquisitions plc and also 9% Senior Notes due 2014 issued by WRG Finance plc.

14 Operating lease commitments

At 31 December 2004, the Company was committed to making the following payments during the next year in respect of operating leases on plant and equipment.

	Plant and Machinery	
	2004	2003
	£000	£000
Operating leases which expire:		
Within one year	134	-
In two to five years	-	23
	<hr/>	<hr/>
	134	23
	<hr/>	<hr/>

Notes (continued)

15 Pension contributions

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 106% funded based upon the minimum funding requirement basis. At 31 December 2004 the deficit on the group section of the scheme, calculated on an FRS 17 basis, was £5,141,000 (2003: £4,946,000). 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:

	2004 £000	2003 £000
LAWDC pension scheme	18	24

16 Related party transactions

In the ordinary course of business, the Company has also traded with fellow subsidiaries of WRG Holdings Limited. The Company has taken advantage of the exemption conferred by FRS8 from disclosing details of these transactions.

17 Ultimate parent company

The Company's immediate parent company is 3C Waste Limited, a company which is registered in England and Wales.

The Directors regard Terra Firma Capital Partners Holdings Limited, a company registered in Guernsey, as the ultimate controlling party and the ultimate parent entity.

WRG Holdings Limited (formerly Cholet Holdings Limited) is the parent company of the largest group of which the Company is a member and for which group accounts are drawn up. Copies of WRG Holdings Limited financial statements are available from the Company Secretary, Ground Floor West, 900 Pavilion Drive, Northampton Business Park, Northampton, NN4 7RG.