Landfill Management Limited

Directors' report and financial statements

Registered number 2069821

31 December 2006

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Statutory information

Directors

JR Meredith
LJD Cassells
SN Hardman
SN Jennings

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

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 2006

Principal activity

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

Developments in the year

In the opinion of the Directors, the Company has traded satisfactorily during the year ended 31 December 2006 and the present level of activity will be sustained in the forthcoming financial year On 16 May 2006 the Company sold its Waste-to-Energy business to Infinis Operations 2 Limited (formerly WRG Operations 2 Limited) (see note 3)

In May 2006, the Company's Transfer Station and Civic Amenity site at Kirkless, Wigan, suffered a major fire Consequently there has been significant interruption to the business The Directors believe that the loss, including business interruption, will be fully covered by insurance, after deduction for any excess payments due

Results and dividends

The results of the Company for the year ended 31 December 2006 are set out on page 7 The profit for the financial year ended 31 December 2006 amounted to £1,659,000 *(2005 £860,000)* The Directors do not recommend the payment of a dividend *(2005 £nil)* and thus £1,659,000 (*2005* £860,000) has been transferred to reserves

Change in ownership

On 27 September 2006, the Company's ultimate parent company, WRG Holdings Limited (now Infinis Holdings Limited) sold its waste disposal business including the Company to Fomento de Construcciones y Contratas, S A , the leading Spanish construction and services group

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

JR Meredith
LJD Cassells
SN Hardman
SN Jennings (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

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)
- 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

No political or charitable donations were made during the year ended 31 December 2006 *(2005 £nil)*

Directors' report *(continued)*

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

28 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 Landfill Management Limited

We have audited the financial statements of Landfill Management 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 4

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 Landfill Management 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

28 March 2007

Profit and loss account

year ended 31 December 2006

	Note	Continuing operations 2006 £000	Discontinued operations 2006 £000	Total 2006 £000	Continuing operations 2005 £000	Discontinued operations 2005 £000	Total 2005 £000
Turnover	2	4,514	255	4,769	4,422	678	5,100
Cost of sales		(3,909)	(83)	(3,992)	(3,760)	(178)	(3,938)
Gross profit		605	172	777	662	500	1,162
Administrative expenses		(301)	-	(301)	(251)	-	(251)
Operating profit		304	172	476	411	500	911
Profit on disposal of discontinued operations	3	-	1,179	1,179	-	-	-
Profit on ordinary activities before interest		304	1,351	1,655	411	500	911
Net interest receivable/(payable)	5			4			(51)
Profit on ordinary activities before taxation	3			1,659			860
Tax on profit on ordinary activities	6			-			-
Profit for the financial year	13			1,659			860

There are no recognised gains and losses in either the financial year ended 31 December 2006 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

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

	Note	2006 £000	2005 £000
Fixed assets			
Tangible assets	7	2,839	4,460
Current assets			
Debtors amounts due within one year	8	4,844	297
Debtors amounts due in more than one year	9	11	-
		4,855	297
Creditors amounts falling due within one year	10	(2,214)	(714)
Net current assets/(liabilities)		2,641	(417)
Total assets less current liabilities		5,480	4,043
Provisions for liabilities and charges	11	(373)	(595)
Net assets		5,107	3,448
Capital and reserves			
Called up share capital	12	2,000	2,000
Profit and loss account	13	3,107	1,448
Equity shareholders' funds		5,107	3,448

These financial statements were approved by the board of Directors on 28 March 2007 and were signed on its behalf by

LJD Cassells
Director

Reconciliation of movements in shareholders' funds
year ended 31 December 2006

	2006	2005
	£000	£000
Profit for the financial year	**1,659**	860
Net addition to shareholders' funds	**1,659**	860
Opening shareholders' funds	**3,448**	2,588
Closing shareholders' funds	**5,107**	3,448

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 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 landfill sites	- based on the void used in the period as a proportion of total void
Plant and machinery	- 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 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

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

Notes *(continued)*

1 Accounting policies *(continued)*

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

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

3 Profit on ordinary activities before taxation

	2006 £000	2005 £000
Profit on ordinary activities before taxation is stated after crediting exceptional items		
Included within cost of sales		
- Decrease in decommissioning and after-care provisions on revision of estimate of future costs (note a)	(204)	-
Profit on disposal of discontinued operations (note b)	(1,179)	-
Profit on ordinary activities before taxation is stated after charging:		
Depreciation and other amounts written off tangible fixed assets	289	275
Loss on disposal of tangible fixed assets	19	-
Operating leases – hired plant and machinery	95	105
Operating leases – land and buildings	81	81

(a) Reassessment of the Company's obligation for decommissioning and after-care costs in respect of landfill sites

(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 £2,700,000 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 borne 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 other benefits through the Company during the year ended 31 December 2006 or the year ended 31 December 2005 They are all remunerated as Directors or employees of Waste Recycling Group Limited, the indirect parent company of the Company

	2006 No	2005 No
Average number employed (including the Directors) by the Company during the year	27	21

	2006 £000	2005 £000
Staff costs incurred during the year in respect of these employees were		
Wages and salaries	434	362
Social security costs	34	31
Other pension costs	28	27
	496	420

5 Net interest receivable/(payable)

	2006 £000	2005 £000
Interest receivable and similar income		
Other interest receivable (note 3)	57	-
Interest payable and similar charges		
Unwinding of discount (note 11)	(53)	(50)
Other interest payable	-	(1)
	(53)	(51)
Net interest receivable/(payable)	4	(51)

6 Tax on profit on ordinary activities

	2006 £000	2005 £000
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 Tax on profit on ordinary activities *(continued)*

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

	2006 £000	2005 £000
Profit on ordinary activities before tax	**1,659**	860
Tax on profit on ordinary activities at standard rate	**498**	258
Factors affecting charge		
Expenses not deductible for tax purposes	**6**	-
Exempt profit on asset sales	**(354)**	-
Group loss relief claimed	**(92)**	(305)
(Capital allowances in excess of depreciation)/depreciation in excess of capital allowances	**(58)**	47
	-	-

7 Tangible fixed assets

	Landfill sites £000	Other property £000	Plant and equipment £000	Total £000
Cost				
At 1 January 2006	2,966	33	5,053	8,052
Additions	-	-	196	196
Disposals	-	-	(67)	(67)
Disposal of business (note 3)	-	(30)	(1,633)	(1,663)
Transfers between group companies/reclassifications	-	-	12	12
At 31 December 2006	2,966	3	3,561	6,530
Depreciation				
At 1 January 2006	2,966	3	623	3,592
Charge for the year	-	1	288	289
Disposals	-	-	(48)	(48)
Disposal of business (note 3)		(3)	(139)	(142)
At 31 December 2006	2,966	1	724	3,691
Net book value				
At 31 December 2006	**-**	**2**	**2,837**	**2,839**
At 31 December 2005	-	30	4,430	4,460

8 Debtors: amounts due within one year

	2006 £000	2005 £000
Amounts due from fellow group undertakings	**4,844**	297

Notes *(continued)*

9 Debtors. amounts due in more than one year

	2006 £000	2005 £000
Amounts prepaid to fellow subsidiary undertaking	**11**	-

10 Creditors: amounts falling due within one year

	2006 £000	2005 £000
Amounts owed to fellow group companies	**2,214**	714

11 Provisions for liabilities and charges

	Other provisions £000	Decommissioning £000	Landfill after-care £000	Total £000
At 1 January 2006	-	-	595	595
Charged/(credited) in profit and loss account	21	11	(227)	(195)
Unwinding of discount (note 5)	-	-	53	53
Expenditure in the year	(6)	-	(74)	(80)
At 31 December 2006	**15**	**11**	**347**	**373**

The Company provides for the estimated cost of decommissioning 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 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	
	2006 £000	2005 £000	2006 £000	2005 £000
Depreciation in excess of capital allowances	-	-	**(128)**	(52)
Short term timing differences	-	-	-	-
	-	-	**(128)**	(52)

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

12 Called up share capital

	2006 £000	2005 £000
Authorised, allotted, called up and fully paid		
2,000,000 ordinary shares of £1 each	**2,000**	2,000

Notes *(continued)*

13 Reserves

	Profit and loss account £000
At 1 January 2006	1,448
Profit for the financial year	1,659
At 31 December 2006	3,107

14 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

c) 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 The Company 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 into 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

15 Operating lease commitments

At 31 December 2006 and 31 December 2005, the Company had no annual commitments under non-cancellable operating leases

Notes *(continued)*

16 Pension contributions

The Company participates in the defined contribution schemes 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	2005
	£000	£000
Defined contribution scheme	1	-
LAWDC pension scheme	27	27
	28	27

17 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

18 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