

Company Registration No. 02206141

WRG Environmental Limited

Report and Financial Statements

31 December 2010

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WRG Environmental Limited

Report and financial statements 2010

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WRG Environmental Limited

Report and financial statements 2010

Officers and professional advisers

Directors

P Taylor
V F Orts-Llopis
A Serrano Minchan

Company Secretary

C Favier-Tilston

Registered Office

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

Auditor

Deloitte LLP
2 New Street Square
London
EC4A 3BZ

WRG Environmental Limited

Directors' report

The Directors of WRG Environmental Limited (the "Company") present their annual report and the audited financial statements for the year ended 31 December 2010

Principal activity

The principal activity of the Company throughout the financial year ended 31 December 2010 and the year ended 31 December 2009 was the handling, recycling and disposal of waste materials

Directors

The following individuals served as Directors of the Company during the year ended 31 December 2010

P Taylor

V F Orts-Llopis

A Serrano Minchan

S N Jennings (resigned 11 June 2010)

Results and dividends

The loss for the financial year ended 31 December 2010 amounted to £2,553,000 (2009 £1,486,000 loss)

The Directors do not propose the payment of a dividend (2009 £nil) and thus the loss of £2,553,000 (2009 £1,486,000 loss) has been withdrawn from reserves

Going concern

The Directors, having assessed the responses of their enquiries to the indirect parent company, Waste Recycling Group Limited ("WRG"), have reviewed projected cash flows and continue to adopt the going concern basis in preparing the Directors' report and financial statements

Financial risk management

The Company is exposed to financial risk through its financial assets and liabilities. The most important components of financial risk are interest rate risk, credit risk and liquidity risk. Due to the nature of the Company's activities and the assets contained within the Company's balance sheet, the only financial risks the Directors consider relevant to the Company are liquidity and credit risk.

Credit and liquidity risk

The Company's exposure to credit and liquidity risk is reduced as it is a wholly owned subsidiary of the WRG. Both credit and liquidity risk are mitigated by the nature of the debtor balances owed, and creditor balances owing, being mainly inter-company between fellow subsidiaries of WRG.

Directors' indemnities

During the financial year, qualifying third party indemnity provisions for the benefit of all Directors of the Company were in force and continue to be in force at the date of this report. Such provisions were made by Waste Recycling Group Limited, the indirect parent company domiciled in the UK.

Disclosure of information to auditor

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

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006 (the "Act").

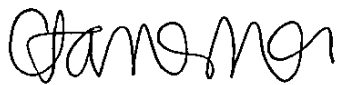
WRG Environmental Limited

Directors' report (continued)

Auditor

Pursuant to section 487 of the Act, the auditor will be deemed to be reappointed annually by the Company and Deloitte LLP will therefore continue in office until further notice

Approved by the Board of Directors
and signed on behalf of the Board

A handwritten signature in black ink, appearing to read 'C Favier-Tilston'.

C Favier-Tilston
Company Secretary

9 June 2011

WRG Environmental Limited

Directors' responsibilities statement

The Directors are responsible for preparing the annual 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 the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law)

Under company law the Directors must not approve the financial statements unless they are satisfied that they 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 judgements 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 adequate accounting records that are sufficient to show and explain the Company's transactions 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 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' report that complies with that law and those regulations

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Independent auditor's report to the members of WRG Environmental Limited

We have audited the financial statements of WRG Environmental Limited for the year ended 31 December 2010 which comprise the profit and loss account, the balance sheet and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2010 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on matters prescribed by the Companies Act 2006

In our opinion the information in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



Makhan Chahal (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

20 June 2011

WRG Environmental Limited

Profit and loss account Year ended 31 December 2010

	Notes	2010 £'000	2009 £'000
Turnover	2	3,044	3,191
Cost of sales		(5,101)	(4,212)
Gross loss		(2,057)	(1,021)
Administrative expenses		(122)	(130)
Operating loss	3	(2,179)	(1,151)
Net interest payable	5	(374)	(335)
Loss on ordinary activities before taxation	3	(2,553)	(1,486)
Tax on loss on ordinary activities	6	-	-
Loss for the financial year	14	(2,553)	(1,486)

All results in the year ended 31 December 2010 relate to continuing operations

There are no recognised gains and losses in either the current 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.

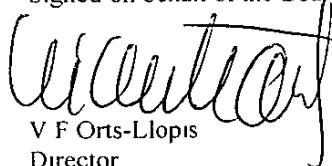
WRG Environmental Limited

Balance sheet 31 December 2010

	Notes	2010 £'000	2009 £'000
Fixed assets			
Tangible assets	7	<u>415</u>	<u>1,182</u>
Current assets			
Debtors amounts due within one year	9	48,503	49,935
Debtors amounts due after more than one year	10	<u>1,658</u>	<u>1,363</u>
		50,161	51,298
Creditors amounts falling due within one year	11	<u>(45,046)</u>	<u>(44,767)</u>
Net current assets		<u>5,115</u>	<u>6,531</u>
Total assets less current liabilities		5,530	7,713
Provisions for liabilities	12	<u>(13,282)</u>	<u>(12,912)</u>
Net liabilities		<u><u>(7,752)</u></u>	<u><u>(5,199)</u></u>
Capital and reserves			
Called up share capital	13	56,208	56,208
Profit and loss account	14	<u>(63,960)</u>	<u>(61,407)</u>
Shareholders' deficit	15	<u><u>(7,752)</u></u>	<u><u>(5,199)</u></u>

The financial statements of WRG Environmental Limited, registered number 02206141 were approved by the Board of Directors on 9 June 2011

Signed on behalf of the Board of Directors


V F Orts-Llopis
Director

WRG Environmental Limited

Notes to the financial statements **Year ended 31 December 2010**

I 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

Going concern

The Directors, having assessed the responses of their enquiries to the immediate parent company, Waste Recycling Group Limited ('WRG'), have reviewed projected cash flows and continue to adopt the going concern basis in preparing the Directors' report and financial statements

Cash flow statement

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

Consolidation

The Company has claimed exemption from the preparation of consolidated financial statements under section 400 of the Companies Act 2006 as it is an indirectly held subsidiary of a group which has prepared consolidated financial statements. Accordingly, these financial statements present information about the Company only and not the Group

Investment

Investments are stated at cost less provision for any impairment in value

Fixed assets and depreciation

Tangible fixed assets are shown at cost. Depreciation is provided on tangible fixed assets in use at rates calculated to write off the cost less residual value of assets as follows

Freehold buildings	- over 25 to 50 years
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	- 4 years

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

Turnover

Turnover is stated net of value added tax and trade discounts. Turnover from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the value of the consideration due. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year

Revenue and cost of sales for the prior year have been restated due to reclassification of certain line items. There was no impact on reported profits/(losses) or net assets

WRG Environmental Limited

Notes to the financial statements

Year ended 31 December 2010

1 Accounting policies (continued)

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis

Decommissioning and aftercare 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 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 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

WRG Environmental Limited

Notes to the financial statements

Year ended 31 December 2010

3 Loss on ordinary activities before taxation

	2010 £'000	2009 £'000
Loss on ordinary activities before taxation is stated after charging.		
Increase in environmental provisions on revision of estimate of future costs	388	705
Depreciation of tangible fixed assets - owned	1,957	983
Operating lease rentals – plant and machinery	51	81
Operating lease rentals – other	16	16
	<u> </u>	<u> </u>

Auditor's remuneration in respect of audit fees totalling £4,300 (2009 £4,000) has been borne by Waste Recycling Limited, a fellow subsidiary undertaking of WRG

4. Information regarding Directors and employees

None of the Directors received any remuneration or benefits from the Company during the year (2009 £nil) They are all remunerated as directors or employees of WRG, the indirect parent company of the Company

	2010 £'000	2009 £'000
Staff costs		
Wages and salaries	88	123
Social security costs	9	12
Other pension costs	1	-
	<u> </u>	<u> </u>
	98	135
	<u> </u>	<u> </u>
	No	No
Average number employed (including Directors) during the year was	<u> </u>	<u> </u>
	9	9

5. Net interest payable

	2010 £'000	2009 £'000
Interest payable and similar charges		
Unwinding of discount (note 12)	374	335
	<u> </u>	<u> </u>

WRG Environmental Limited

Notes to the financial statements Year ended 31 December 2010

6. Tax on loss on ordinary activities

	2010 £'000	2009 £'000
UK corporation tax		
United Kingdom corporation tax at 28% (2009 28%) based on loss for the year	-	-

The total current tax charge for both the current year and previous year is different from the standard rate of 28% (2009 28%) for the reasons set out in the following reconciliation

	2010 £'000	2009 £'000
Loss on ordinary activities before tax	(2,553)	(1,486)
Tax on loss on ordinary activities at standard rate	(715)	(416)
Factors affecting charge		
Non-taxable items	(34)	-
Group relief	1,992	405
Depreciation in excess of capital allowances	497	275
Utilisation of general provisions	(366)	(148)
Site preparation relief	(1,186)	(116)
Transfer pricing adjustment	(188)	-
	-	-

A number of changes to the UK Corporation system were announced in the June 2010 Budget Statement. The Finance (No2) Act 2010 included legislation to reduce the main rate of corporation tax from 28% to 27% from 1 April 2011.

Further reductions to the main rate have also been announced that will see the main rate fall to 23% by 1 April 2014. These changes have not been substantially enacted at the balance sheet date and therefore are not included in these financial statements.

WRG Environmental Limited

Notes to the financial statements Year ended 31 December 2010

7 Tangible fixed assets

	Landfill sites £'000	Other Freehold property £'000	Plant and equipment £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 January 2010	54,515	71	1,900	98	56,584
Additions	1,204	1	-	-	1,205
Disposals	-	-	(15)	-	(15)
At 31 December 2010	55,719	72	1,885	98	57,774
Depreciation					
At 1 January 2010	53,359	60	1,885	98	55,402
Charge for the year	1,955	2	-	-	1,957
At 31 December 2010	55,314	62	1,885	98	57,359
Net book value					
At 31 December 2010	405	10	-	-	415
At 31 December 2009	1,156	11	15	-	1,182

8 Investments in subsidiary undertakings

	£'000
Cost	
At 1 January 2010 and 31 December 2010	4,099
Provision	
At 1 January 2010 and 31 December 2010	4,099
Net book value	
At 1 January 2010 and 31 December 2010	-

Details of the Company's subsidiary undertakings are set out below

Name of the company	Incorporated	Nature of business	Proportion of voting rights and shares held
FCC Energy Limited (formerly known as Tause Ellon (Haulage) Limited	Scotland	Dormant	100%
WRG Properties Limited	England and Wales	Property	100%

WRG Environmental Limited

Notes to the financial statements Year ended 31 December 2010

9. Debtors: amounts due within one year

	2010	2009
	£'000	£'000
Amounts owed from fellow Group subsidiary undertakings	48,456	49,923
Other debtors	47	12
	<u>48,503</u>	<u>49,935</u>

10. Debtors: amounts due after one year

	2010	2009
	£'000	£'000
Amounts prepaid to fellow subsidiary undertaking	<u>1,658</u>	<u>1,363</u>

11. Creditors: amounts falling due within one year

	2010	2009
	£'000	£'000
Trade creditors	145	186
Amounts owed to fellow subsidiary undertakings	44,598	44,302
Other creditors	5	5
Accruals	298	274
	<u>45,046</u>	<u>44,767</u>

WRG Environmental Limited

Notes to the financial statements Year ended 31 December 2010

12 Provisions for liabilities

	Other provisions £'000	Decomm- issioning £'000	Landfill aftercare £'000	Total £'000
At 1 January 2010	4,797	1,362	6,753	12,912
Charged/(credited) to profit and loss account	433	(133)	611	911
New provisions capitalised in tangible fixed assets	(45)	841	-	796
Unwinding of discount (note 5)	6	22	346	374
Expended in year	(1,101)	(434)	(176)	(1,711)
At 31 December 2010	4,090	1,658	7,534	13,282

The Group 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 and expenditure will be incurred throughout this 60 year period. These provisions are discounted at a rate of 5% from the date on which the expenditure is expected to occur. These provisions by their nature require a significant degree of estimation and hence there is a degree of uncertainty with regards to the timing and amount of outflows of economic benefit.

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. Capping expenditure occurs as landfill cells are completed, whilst expenditure on the disposal of leachate occurs throughout the lifecycle of a landfill site.

Deferred taxation

	Provided 2010 £'000	2009 £000	Unprovided 2010 £'000	2009 £'000
Depreciation in excess of capital allowances	-	-	(203)	(318)
Short term timing differences	-	-	(1,083)	(1,116)
	-	-	(1,286)	(1,434)

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

13 Called up share capital

	2010 £'000	2009 £'000
Authorised		
60,000,000 ordinary shares of £1 each	60,000	60,000
Called up, allotted and fully paid		
56,208,166 ordinary shares of £1 each	56,208	56,208

WRG Environmental Limited

Notes to the financial statements Year ended 31 December 2010

14. Reserves

	Profit and loss account £'000
At 1 January 2010	(61,407)
Loss for the financial year	(2,553)
At 31 December 2010	(63,960)

15. Reconciliation of movements in shareholders' deficit

	2010 £'000	2009 £'000
Loss for the financial year	(2,553)	(1,486)
Net increase in shareholders' deficit	(2,553)	(1,486)
Opening shareholders' deficit	(5,199)	(3,713)
Closing shareholders' deficit	(7,752)	(5,199)

16. Contingent liabilities

- (a) The Company is a member of a group VAT registration and as such has contingent liabilities for VAT in respect of other members of the Group
- (b) On 21 December 2006, the Company was a party to the refinancing of Azincourt Investment, SL ('Azincourt') and its subsidiary companies. Azincourt was the company used by Fomento de Construcciones y Contratas, S A for the acquisition of Waste Recycling Group Limited and its subsidiary undertakings, including the Company. 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 in to a floating charge over all its present and future rights, title and interest to the cash pooling account and all amounts credited to it in its favour.
- (c) The Group must comply with the Environment Agency's financial provisioning requirements for its landfill sites in England and Wales, which is satisfied by the providing financial security bonds totalling £92.1million. The value of the bonds issued in the Company's name for this financial provisioning requirement at 31 December 2010 was £3.7million. However, the Company is an indemnifying party to the other Group bonds and as such has contingent liabilities for environmental provisions in respect of other members of the Group.

17. Pension contributions

The Company participates in the defined contribution scheme operated by WRG on behalf of its eligible employees. The assets of the scheme are held separately from those of the Company in independently administered funds. The contributions by the Company to the scheme in the year amounted to £1,000 (2009: £nil).

WRG Environmental Limited

Notes to the financial statements Year ended 31 December 2010

18 Operating lease commitments

At 31 December 2010, the Company had annual commitments under non-cancellable operating leases as follows

	Land and buildings	
	2010	2009
	£'000	£'000
Which expire		
in over five years	<u>9</u>	<u>9</u>

19. Related party transactions

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

The Company has taken advantage of the exemption conferred by FRS 8 from disclosing details of transactions with other wholly owned subsidiaries of the group

20 Ultimate parent company

The immediate parent of the Company is WRG Acquisitions 2 Limited, a company registered in England and Wales

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

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