WRG Environmental Limited

Directors' report and financial statements

Registered number 02206141

31 December 2009

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Statutory information

Directors

P Taylor
VF Orts-Llopis
A Serrano Minchan

Joint Company Secretary

C Favier-Tilston
C De Feo

Registered office

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

Auditors

Deloitte LLP
2 New Street Square
London
EC4A 3BZ

Directors' report

The directors (the "Directors") of WRG Environmental Limited (the "Company") present their annual report and the audited financial statements for the year ended 31 December 2009

Principal activity

The principal activity of the Company throughout the financial year ended 31 December 2009 and the year ended 31 December 2008 was the handling, recycling and disposal of waste materials

Directors

The Directors who served as directors of the Company during the year ended 31 December 2009 and up to the date of this report were as follows

P Taylor	(appointed 1 December 2009)
VF Orts-Llopis	(appointed 1 December 2009)
SN Jennings	(appointed 1 August 2009 and resigned 11 June 2010)
A Serrano Minchan	(appointed 1 August 2009)
J Meredith	(resigned 27 November 2009)
LJD Cassells	(resigned 30 November 2009)

Results and dividends

The loss for the financial year ended 31 December 2009 amounted to £1,486,000 *(2008 £1,457,000)*

The Directors do not propose the payment of a dividend *(2008 £nil)* and thus the loss of £1,486,000 (*2008 £1,457,000*) has been withdrawn from reserves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 Full details of the going concern statement can be found in note 1 of the notes to the 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 Waste Recycling Group Both credit and liquidity risk are mitigated by the nature of the debtor balances owed, and creditor balances owing, being mainly inter-company from and to fellow subsidiaries of Waste Recycling Group

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 intermediate parent company domiciled in the UK

Directors' report *(continued)*

Disclosure of information to auditors

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 auditors are unaware, and
- 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 auditors are 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")

Auditors

During the year KPMG LLP resigned as auditors and Deloitte LLP ("Deloitte") were appointed as auditors to the Company Pursuant to Section 487 of the Act, Deloitte will be deemed to be reappointed as auditors until further notice

By order of the Board of Directors on 30 June 2010

C De Feo
Joint Company Secretary

Directors' responsibilities statement

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 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 their profit or loss for that period In preparing the 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 parent company financial statements, and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the parent 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 and 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 2006 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

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 auditors' report to the members of WRG Environmental Limited

We have audited the financial statements of WRG Environmental Limited for the year ended 31 December 2009 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses the Balance Sheet and the related notes 1 to 19 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 auditors' 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
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 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 (APB's) Ethical Standards for Auditors

Scope of the audit of the 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 2009 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 other matter prescribed by the Companies Act 2006
In our opinion the information given 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

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

5 July 2010

Profit and loss account

year ended 31 December 2009

	Note	**2009 £000**	2008 £000
Turnover	*2*	**3,195**	3,624
Cost of sales		**(4,216)**	(4,567)
Gross loss		**(1,021)**	(943)
Administrative expenses		**(130)**	(176)
Operating loss		**(1,151)**	(1,119)
Loss on ordinary activities before interest	*3*	**(1,151)**	(1,119)
Net interest payable	*5*	**(335)**	(338)
Loss on ordinary activities before taxation	*3*	**(1,486)**	(1,457)
Tax on loss on ordinary activities	*6*	**-**	-
Loss for the financial year	*14*	**(1,486)**	(1,457)

All results in the year ended 31 December 2009 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

Balance sheet
at 31 December 2009

	Note	2009 £000	2008 £000
Fixed assets			
Tangible assets	7	**1,182**	1,441
Current assets			
Debtors amounts due within one year	9	**49,935**	50,952
Debtors amounts due after more than one year	10	**1,363**	2,020
		51,298	52,972
Creditors amounts falling due within one year	11	**(44,767)**	(45,532)
Net current assets		**6,531**	7,440
Total assets less current liabilities		**7,713**	8,881
Provisions for liabilities	12	**(12,912)**	(12,594)
Net liabilities		**(5,199)**	(3,713)
Capital and reserves			
Called up share capital	13	**56,208**	56,208
Profit and loss account	14	**(61,407)**	(59,921)
Shareholders' deficit	15	**(5,199)**	(3,713)

These financial statements for WRG Environmental Limited (registered number 02206141) were approved by the board of Directors on 30 June 2010 and were signed on its behalf by

VF Orts-Llopis
Director

Notes
(forming part of the financial statements)

1 Accounting policies

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

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

Accounting convention

The financial statements are prepared under the historical cost convention

Going concern

The financial statements have been prepared on a going concern basis, notwithstanding net liabilities of £5,199,000, which the Directors believe to be appropriate for the following reasons

The ability of the Company to continue trading in the foreseeable future is largely dependent on the continued support of the Company's parent company, Waste Recycling Group Limited ("WRG"), which has indicated that it intends to provide such funds as are necessary for the Company to continue to trade for the foreseeable future

WRG is funded through a combination of a short-term revolving credit facility and long-term intra-group loans and meets its day to day working capital requirements through a £70million revolving credit facility which is due for renewal within six months The current facility was agreed in January 2010 for a period of six months, ending July 2010 WRG manages its own day to day cash flow and relationships with financial institutions, and is assisted by FCCs group treasury function as necessary FCC group has ongoing long-term relationships with a number of major banks and a strong track record in securing finance Management are therefore confident that suitable funding will be secured by WRG in due course WRG s long-term financing consists of various intra-group loans totalling £109 2million The earliest Group loan is repayable in 2021

In reaching their conclusion on going concern, the directors have regard to the budget for 2010 The Group's budget for 2010 shows profitability improving compared to 2009 The directors have considered carefully the risks to the Group s trading performance and cash flows as a result of the difficult economic environment

The Directors, having assessed the responses of WRG to their enquiries and reviewed projected cash flows, have no reason to believe that a material uncertainty exists that may cast significant doubt about the Company's ability to continue as a going concern For these reasons, they continue to adopt the going concern basis in preparing the annual report and accounts

Notes *(continued)*

1 Accounting policies *(continued)*

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

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

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

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

Notes *(continued)*

1 Accounting policies *(continued)*

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

3 Loss on ordinary activities before taxation

	2009	2008
	£000	£000
Loss on ordinary activities before taxation is stated after charging.		
Increase in decommissioning and aftercare provisions on revision of estimate of future costs	**705**	-
Depreciation of tangible fixed assets - owned	**983**	1,150
Operating lease rentals – plant and machinery	**81**	88
Operating lease rentals – other	**16**	15

Auditors' remuneration in respect of audit fees totalling £4,000 has been borne 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 in respect of services to the Company during the year (*2008 £nil*) They are all remunerated as directors or employees of Waste Recycling Group Limited, the indirect parent company

	2009	2008
	£000	£000
Staff costs		
Wages and salaries	**123**	155
Social security costs	**12**	16
	135	171
	No	No
Average number employed (including Directors) during the year was	**9**	11

Notes *(continued)*

5 Net interest payable

	2009 £000	2008 £000
Interest payable and similar charges		
Unwinding of discount (note 12)	**(335)**	(338)
Net interest payable	**(335)**	(338)

6 Tax on loss on ordinary activities

	2009 £000	2008 £000
UK Corporation tax		
United Kingdom corporation tax at 28% *(2008 28 5%)* 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% (*2008 28 5%*) for the reasons set out in the following reconciliation

	2009 £000	2008 £000
Loss on ordinary activities before tax	**(1,486)**	(1,457)
Tax on loss on ordinary activities at standard rate	**(416)**	(415)
Factors affecting charge		
Group relief	**405**	421
Depreciation in excess of capital allowances	**275**	259
Utilisation of general provisions	**(148)**	(218)
Site preparation relief	**(116)**	(47)
	-	-

Notes *(continued)*

7 Tangible fixed assets

	Landfill sites £000	Other freehold property £000	Plant and machinery £000	Motor vehicles £000	Total £000
Cost					
At 1 January 2009	53,817	60	1,885	98	55,860
Additions	698	11	15	-	724
At 31 December 2009	54,515	71	1,900	98	56,584
Depreciation					
At 1 January 2009	52,387	49	1,885	98	54,419
Charge for the year	972	11	-	-	983
At 31 December 2009	53,359	60	1,885	98	55,402
Net book value					
At 31 December 2009	**1,156**	**11**	**15**	**-**	**1,182**
At 31 December 2008	1,430	11	-	-	1,441

8 Investments in subsidiary undertakings

	£000
Cost	
At 1 January and 31 December 2009	4,099
Provision	
At 1 January and 31 December 2009	4,099
Net book value	
At 31 December 2009 and 31 December 2008	-

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

Name of Company	Incorporated	Nature of business	Proportion of voting rights and shares held
Tawse Ellon (Haulage) Limited	Scotland	Dormant	100%
WRG Properties Limited	England and Wales	Property	100%

9 Debtors: amounts due within one year

	2009 £000	2008 £000
Amounts owed from fellow Group subsidiary undertakings	**49,923**	50,816
Other debtors	**12**	136
	49,935	50,952

Notes *(continued)*

10 Debtors. amounts due after one year

	2009 £000	2008 £000
Amounts prepaid to fellow subsidiary undertaking	**1,363**	2,020

11 Creditors: amounts falling due within one year

	2009 £000	2008 £000
Trade creditors	**186**	221
Amounts owed to fellow subsidiary undertakings	**44,302**	44,959
Other creditors	**5**	48
Accruals	**274**	304
	44,767	45,532

12 Provisions for liabilities

	Other provisions £000	Decomm-issioning £000	Landfill aftercare £000	Total £000
At 1 January 2009	5,267	2,019	5,308	12,594
Charged/(credited) to profit and loss account	554	(828)	1,230	956
New provisions capitalised in tangible fixed assets	132	398	-	530
Unwinding of discount (note 5)	9	40	286	335
Expended in year	(1,165)	(267)	(71)	(1,503)
At 31 December 2009	**4,797**	**1,362**	**6,753**	**12,912**

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

Notes *(continued)*

12 Provisions for liabilities *(continued)*

Deferred taxation

	Provided		Unprovided	
	2009	2008	**2009**	2008
	£000	£000	**£000**	£000
Depreciation in excess of capital allowances	**-**	-	**(318)**	(139)
Short term timing differences	**-**	-	**(1,116)**	(1,815)
	-	-	**(1,434)**	(1,954)

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

	2009	2008
	£000	£000
Authorised		
60,000,000 (*2008 60,000,000*) ordinary shares of £1 each	**60,000**	60,000
Called up, allotted and fully paid		
56,208,166 (*2008 56,208 166*) ordinary shares of £1 each	**56,208**	56,208

14 Reserves

	Profit and loss account £000
At 1 January 2009	**(59,921)**
Loss for the financial year	**(1,486)**
At 31 December 2009	**(61,407)**

15 Reconciliation of movement in shareholders' deficit

	2009	2008
	£000	£000
Loss for the financial year	**(1,486)**	(1,457)
Net increase in shareholders deficit	**(1,486)**	(1,457)
Opening shareholders deficit	**(3,713)**	(2,256)
Closing shareholders' deficit	**(5,199)**	(3,713)

Notes *(continued)*

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 It is not practical to estimate the value of the contingent liability at 31 December 2009

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 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 Environment Agency It is not practical to estimate the value of the contingent liability at 31 December 2009

17 Operating lease commitments

At 31 December 2009, the Company had annual commitments under non-cancellable operating leases as follows

	Land and buildings		Plant and machinery	
	2009	2008	**2009**	2008
	£000	£000	**£000**	£000
Which expire				
In over five years	**9**	9	**-**	-

18 Related party transactions

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

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

19 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