Waste Recycling Group (Yorkshire) Limited

Directors' report and financial statements

Registered number 2436946

31 December 2008

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Statutory information

Directors
JR Meredith
LJD Cassells
SN Jennings

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 Waste Recycling Group (Yorkshire) Limited (the "Company") present their annual report and the audited financial statements for the year ended 31 December 2008.

Principal activity

The principal activity of the Company continues to be the handling, recycling and disposal of waste materials.

Developments in the year

In the opinion of the Directors, the Company has traded in line with expectation during the year ended 31 December 2008 and the present level of activity will be sustained in the forthcoming financial year.

Results and dividends

The results of the Company for the year ended 31 December 2008 are set out on page 7. The profit for the financial year amounted to £41,000 (*2007: £436,000*). The Company did not pay an interim dividend during the year (*2007: £nil*) and furthermore the Directors do not propose the payment of a final dividend (*2007: £nil*). The retained profit for the financial year of £41,000 (*2007: £436,000*) has been transferred to reserves.

Directors

The Directors who served as directors of the Company during the year ended 31 December 2008 and up to the date of this report were as follows:

JR Meredith
LJD Cassells
SN Hardman (resigned 30 April 2008)
SN Jennings

Companies Act 2006

Under the Companies Act 2006 there is no longer a statutory requirement to hold an annual general meeting of the Company or to lay accounts and reports before the Company in general meeting for approval.

The Company is therefore no longer required to fulfil its obligations under the elective resolutions that were in place at previous year ends.

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 section 487 of the Companies Act 2006, the auditors will be deemed to be re-appointed annually by the Company and KPMG LLP will therefore continue in office until further notice.

By order of the board

C Favier-Tilston
Company Secretary

11 May 2009

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

KPMG LLP
1 The Embankment
Neville Street
Leeds
LS1 4DW

Independent auditors' report to the members of Waste Recycling Group (Yorkshire) Limited

We have audited the financial statements of Waste Recycling Group (Yorkshire) Limited for the year ended 31 December 2008 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 Waste Recycling Group (Yorkshire) 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 2008 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

4 June 2009

Profit and loss account
year ended 31 December 2008

	Note	**2008**	2007
		£000	£000
Turnover	*2*	**3,283**	3,349
Cost of sales		**(3,046)**	(2,703)
Gross profit		**237**	646
Administrative expenses		**(160)**	(160)
Operating profit		**77**	486
Net interest payable	*5*	**(36)**	(50)
Profit on ordinary activities before taxation	*3*	**41**	436
Tax on profit on ordinary activities	*6*	**-**	-
Profit for the financial year	*13*	**41**	436

All results in the year ended 31 December 2008 relate to continuing operations.

There are no recognised gains and losses in either the financial year ended 31 December 2008 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 2008

	Note	**2008**	2007
		£000	£000
Fixed assets			
Tangible assets	*7*	**1,571**	1,259
Current assets			
Debtors: amounts due within one year	*8*	**8,280**	8,382
Debtors: amounts due after more than one year	*9*	**263**	288
		8,543	8,670
Creditors: amounts falling due within one year	*10*	**(6,435)**	(6,296)
Net current assets		**2,108**	2,374
Total assets less current liabilities		**3,679**	3,633
Provisions for liabilities and charges	*11*	**(1,413)**	(1,408)
Net assets		**2,266**	2,225
Capital and reserves			
Called up share capital	*12*	**1**	1
Profit and loss account	*13*	**2,265**	2,224
Equity shareholders' funds	*14*	**2,266**	2,225

These financial statements were approved by the board of Directors on 11 May 2009 and were signed on its behalf by:

LJD Cassells
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.

Cash flow exemption

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 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:

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.

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 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.

Turnover

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

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.

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.

3 Profit on ordinary activities before taxation

	2008	2007
	£000	£000
Profit on ordinary activities before taxation is stated after crediting exceptional items		
Included within cost of sales:		
– Decrease in decommissioning and aftercare provisions on revision of estimate of future costs	**(64)**	(280)
Operating profit is stated after charging:		
Depreciation and other amounts written off tangible fixed assets	**473**	471
Operating lease rentals – hired plant and machinery	**17**	14

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 2008 or the year ended 31 December 2007. They are all remunerated as Directors or employees of Waste Recycling Group Limited, an indirect parent company of the Company.

	2008	2007
	No.	No.
Average number of persons (including the Directors) employed by the Company during the year:	**9**	10
	£000	£000
Staff costs incurred during the year in respect of these employees were		
Wages and salaries	**145**	148
Social security costs	**14**	15
Other pension costs	**6**	6
	165	169

5 Net interest payable

	2008	2007
	£000	£000
Interest payable and similar charges		
Unwinding of discount (note 11)	**(36)**	(50)

6 Tax on profit on ordinary activities

	2008	2007
	£000	£000
UK Corporation tax		
United Kingdom corporation tax at 28.5% *(2007: 30%)* based on profits for the year	**-**	-

Notes *(continued)*

6 Tax on profit on ordinary activities *(continued)*

The total current tax charge for both the current and previous year is different from the standard rate of 28.5% (*2007: 30%*) for the reasons set out in the following reconciliation:

	2008 £000	2007 £000
Profit on ordinary activities before tax	**41**	436
Tax on profit on ordinary activities at standard rate	**12**	131
Factors affecting charge:		
Group loss relief claimed	**16**	(265)
Depreciation in excess of capital allowances	**130**	134
Utilisation of general provisions	**(158)**	-
	-	-

7 Tangible fixed assets

	Landfill sites £000	Plant and machinery £000	Total £000
Cost			
At 1 January 2008	7,507	107	7,614
Additions	737	48	785
At 31 December 2008	8,244	155	8,399
Depreciation			
At 1 January 2008	6,290	65	6,355
Charge for the year	458	15	473
At 31 December 2008	6,748	80	6,828
Net book value			
At 31 December 2008	**1,496**	**75**	**1,571**
At 31 December 2007	1,217	42	1,259

Notes *(continued)*

8 Debtors: amounts due within one year

	2008	2007
	£000	£000
Amounts due from fellow Group undertakings	**8,112**	8,348
Other debtors	**121**	-
Prepayments	**47**	34
	8,280	8,382

9 Debtors: amounts due after more than one year

	2008	2007
	£000	£000
Amounts prepaid to fellow Group subsidiary undertaking	**263**	288

10 Creditors: amounts falling due within one year

	2008	2007
	£000	£000
Trade creditors	**130**	23
Amounts due to ultimate parent undertaking	**6,208**	6,000
Accruals	**97**	273
	6,435	6,296

11 Provisions for liabilities and charges

	Other provisions £000	**Decomm-issioning £000**	**Landfill aftercare £000**	**Total £000**
At 1 January 2008	965	287	156	1,408
Revisions to provisions capitalised in tangible fixed assets	893	-	(6)	887
(Credited)/charged in profit and loss account	-	(40)	-	(40)
Unwinding of discount (note 5)	12	16	8	36
Expenditure in the year	(878)	-	-	(878)
At 31 December 2008	**992**	**263**	**158**	**1,413**

The Company provides for the estimated cost of decommissioning its landfill sites at the end of their operational life and for their subsequent aftercare. The aftercare period is generally expected to be 60 years. All provisions are discounted from the date on which the expenditure is expected to occur.

Other provisions include the estimated cost of discharging environmental liabilities, including current capping of open landfill areas and the disposal of leachate, which arise during the operational phase of its landfill sites.

Notes *(continued)*

11 Provisions for liabilities and charges *(continued)*

Deferred taxation

	Provided		Unprovided	
	2008	2007	**2008**	2007
	£000	£000	**£000**	£000
Capital allowances in excess of depreciation	**2**	22	**-**	-
Short term timing differences	**(2)**	(22)	**(223)**	(149)
	-	-	**(223)**	(149)

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

	2008	2007
	£000	£000
Authorised, allotted, called up and fully paid		
1,000 ordinary shares of £1 each	**1**	1

13 Reserves

	Profit and loss account £000
At 1 January 2008	**2,224**
Profit for the financial year	**41**
At 31 December 2008	**2,265**

14 Reconciliation of movement in shareholders' funds

	2008	2007
	£000	£000
Profit for the financial year	**41**	436
Opening shareholders' funds	**2,225**	1,789
Closing shareholders' funds	**2,266**	2,225

Notes *(continued)*

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

16 Operating lease commitments

At 31 December 2008 the Company is subject to a minimum annual commitment of £58,000 *(2007: £58,000)* in respect of landfill royalties. The contract is due to expire in the year 2050 and the amount payable above £58,000 per annum varies in proportion to the tonnage of waste that is deposited.

17 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 these schemes 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 employer contribution rate commencing from 1 April 2007 is 16%. In addition, Waste Recycling Group Limited has agreed with the Scheme Trustee to pay additional contributions each year of £600,000 until 2010 to meet the ongoing funding of the Scheme.

An actuarial valuation of the scheme at 31 March 2006 indicated that the scheme was 87% funded based upon the minimum funding requirement basis. At 31 December 2008 the deficit on the WRG section of the LAWDC scheme, calculated on an FRS 17 basis, was £1,851,000 *(2007: £540,000)*. 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:

	2008	2007
	£000	£000
Defined contribution schemes	**1**	1
LAWDC pension scheme	**5**	5
	6	6

Notes *(continued)*

18 Related party transactions

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

Some of the Company's Directors have, through historical association, an economic interest in Infinis Capital Limited, an indirect parent of Infinis Limited. Infinis provides gas management services to the Company and the WRG Group on certain of its sites in accordance with the terms of a Service Level Agreement dated 11 July 2006.

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.