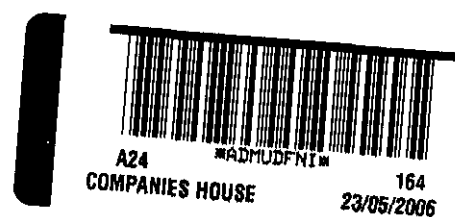


WasteNotts (Reclamation) Limited

Directors' report and financial
statements

Registered number 2674169

31 December 2005



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Statutory information

Directors

JR Meredith
LJD Cassells
SN Hardman

Company secretary

JM Bolton

Joint company secretary

SJ Calder

Registered office

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

Auditors

KPMG LLP
1 Puddle Dock
London
EC4V 3PD

Directors' report

The directors (the "Directors") of WasteNotts (Reclamation) Limited (the "Company") present their annual report and the audited financial statements for the year ended 31 December 2005.

Principal activity

The principal activity of the Company continued to be waste disposal by incineration and the provision of steam for district heating and power generation.

Developments in the year

In the opinion of the Directors the Company has traded satisfactorily during the year ended 31 December 2005 and profitability is expected to continue in the forthcoming financial year.

Results and dividends

The result for the year ended 31 December 2005 is set out on page 7. The Directors do not recommend the payment of a dividend (2004: *£nil*) and thus £571,000 (2004: £529,000) has been transferred to reserves.

Directors and their interests

The Directors who served as directors of the Company during the year ended 31 December 2005 and up to the date of this report were as follows:

JR Meredith
LJD Cassells
SN Hardman

None of the Directors or connected persons held an interest in the share capital of the Company during the year ended 31 December 2005.

The interests of the Directors and connected persons in the share capital of WRG Investments Limited, an indirect parent company of the Company, as at 31 December 2005 are set out below:

		31 December 2005		1 January 2005	
		Beneficial	Non-beneficial	Beneficial	Non-beneficial
LJD Cassells	'B' Ordinary shares £0.01	500	-	500	-
SN Hardman	'B' Ordinary shares £0.01	300	-	300	-
JR Meredith	'B' Ordinary shares £0.01	2,000	-	2,000	-

Elective regime

On 31 July 2003 the Company passed elective resolutions in accordance with section 379A of the Companies Act 1985 as amended (the "Act") to dispense with the formalities of:

- the laying of accounts before the Company in general meeting (section 252 of the Act)
- the holding of annual general meetings (section 366A of the Act)
- the obligation to appoint auditors annually (section 386 of the Act)

Section 253(2) gives members the right to require the laying of accounts before the Company in general meeting. To exercise such right, a member must give notice in writing to that effect deposited at the registered office of the Company within 28 days of the day on which the report and financial statements are sent out in accordance with section 238(1) of the Act.

Directors' report (*continued*)

Charitable and political donations

No political or charitable donations were made during the year ended 31 December 2005 (2004: £nil).

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

11 May 2006

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.

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

1 Puddle Dock

London

EC4V 3PD

United Kingdom

Independent auditors' report to the members of WasteNotts (Reclamation) Limited

We have audited the financial statements of WasteNotts (Reclamation) Limited for the year ended 31 December 2005 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

As described in the Statement of Directors' responsibilities on page 4, the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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 if, in our opinion, the Directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and 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 WasteNotts (Reclamation) 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 2005 and of its profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

15 May 2006

Profit and loss account
year ended 31 December 2005

	<i>Note</i>	2005 £000	2004 £000
Turnover	2	4,880	5,451
Cost of sales		(3,745)	(3,956)
Gross profit		1,135	1,495
Administrative expenses		(240)	(343)
Operating profit		895	1,152
Interest payable and similar charges	5	(444)	(480)
Profit on ordinary activities before taxation	3	451	672
Tax on profit on ordinary activities	6	120	(143)
Profit for the financial year	13	571	529

All results are derived from continuing operations.

There are no recognised gains and losses in either the financial year ended 31 December 2005 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 loss on a historical cost basis and that shown in the profit and loss account.

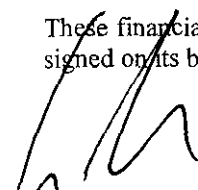
Balance sheet
at 31 December 2005

	<i>Note</i>	2005 £000	2004 £000
Fixed assets			
Tangible assets	7	10,548	7,784
Current assets			
Debtors: amounts falling due within one year	8	6,257	8,990
Cash at bank and in hand		-	1
Creditors: amounts falling due within one year	9	6,257 (817)	8,991 (742)
Net current assets		5,440	8,249
Total assets less current liabilities		15,988	16,033
Creditors: amounts falling due after more than one year	10	(4,276)	(4,772)
Provisions for liabilities and charges	11	(2,102)	(2,222)
Net assets		9,610	9,039
Capital and reserves			
Called up share capital	12	6,296	6,296
Profit and loss account	13	3,314	2,743
Equity shareholders' funds	14	9,610	9,039

These financial statements were approved by the board of Directors on
 signed on its behalf by:

10 May

2006 and were


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, except as noted below.

In these financial statements the following new standards have been adopted for the first time:

- FRS 21 'Events after the balance sheet date';
- the presentation requirements of FRS 25 'Financial instruments: presentation and disclosure'; and
- FRS 28 'Corresponding amounts'.

The accounting policies under these new standards are set out below together with an indication of the effects of their adoption. The introduction of FRS 21 and FRS 25 has had no material effect on the current or prior year numbers as the Company has no financial statement items in either year that are impacted by the introduction of these two accounting standards. FRS 28 'Corresponding amounts' has had no material effect as it imposes the same requirements for comparatives as hitherto required by the Companies Act 1985.

The corresponding amounts in these financial statements are in accordance with the new policies.

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

Tangible fixed assets

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
Leased assets	- over the term of the lease
Plant and machinery	- over 3 to 20 years

Pensions

The Company participates in the defined contribution scheme operated by Waste Recycling Group Limited on behalf of its eligible employees. Contributions to the scheme are charged to the profit and loss account for the year in which they are payable.

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.

Turnover

Turnover represents invoiced sales of goods and services excluding value added tax.

Notes (continued)

1 Accounting policies (continued)

Leases

In respect of each finance lease, the cost of the asset is capitalised and the cost less residual value of the asset is depreciated over the term of the lease. Rentals payable are apportioned between finance charges and leasing commitment. The total finance charge is allocated to accounting periods over the term of the lease at a constant periodic rate of charge on the remaining lease commitments for each accounting period.

All other leases are operating leases and the relevant annual rates are charged to the profit and loss account on a straight line basis over the lease term.

2 Turnover

All turnover was generated in the United Kingdom principally from waste disposal by incineration and the provision of steam for district heating and power generation.

3 Profit on ordinary activities before taxation

	2005 £000	2004 £000
Profit on ordinary activities is stated after charging:		
Depreciation – owned assets	546	664
Depreciation – leased assets	95	144
Operating lease rentals – other	41	43
Operating lease rentals – plant and machinery	46	5
	<u> </u>	<u> </u>

Auditors' remuneration in respect of audit fees has been met by the Company's direct parent undertaking, Waste Recycling Limited.

4 Information regarding Directors and employees

	2005 £000	2004 £000
Staff costs incurred in respect of employees below:		
Wages and salaries	69	71
Social security costs	7	7
Other pension costs	4	5
	<u> </u>	<u> </u>
	80	83
	<u> </u>	<u> </u>
	No.	No.
The average weekly number of employees (including the Directors) during the year was:	8	7
	<u> </u>	<u> </u>

5 Interest payable and similar charges

	2005 £000	2004 £000
Finance lease interest	444	480
	<u> </u>	<u> </u>

Notes (continued)

6 Taxation

	2005 £000	2004 £000
UK Corporation tax		
United Kingdom corporation tax at 30% (2004: 30%) based on profits for the year	-	-
	<hr/>	<hr/>
Total current tax charge/(credit)	-	-
Deferred tax		
Timing differences, origination and reversal	(120)	143
	<hr/>	<hr/>
Tax on profit on ordinary activities	(120)	143
	<hr/>	<hr/>

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

	2005 £000	2004 £000
Profit on ordinary activities before tax	451	672
	<hr/>	<hr/>
Tax on profit on ordinary activities at standard rate	135	202
<i>Factors affecting charge:</i>		
Group loss relief claimed	-	(322)
Capital allowances in excess of depreciation	(135)	120
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>

Notes (continued)

7 Tangible fixed assets

	Other property £000	Plant and machinery £000	Total £000
Cost			
At 1 January 2005	15,110	1,370	16,480
Additions	101	3,304	3,405
	<hr/>	<hr/>	<hr/>
At 31 December 2005	15,211	4,674	19,885
	<hr/>	<hr/>	<hr/>
Depreciation			
At 1 January 2005	8,519	177	8,696
Charge for year	507	134	641
	<hr/>	<hr/>	<hr/>
At 31 December 2005	9,026	311	9,337
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 December 2005	6,185	4,363	10,548
	<hr/>	<hr/>	<hr/>
At 31 December 2004	6,591	1,193	7,784
	<hr/>	<hr/>	<hr/>

The net book value of other property includes £5,301,000 (2004: £5,396,000) in respect of assets held under finance leases. The depreciation charged on these assets during the year was £95,000 (2004: £144,000).

8 Debtors: amounts falling due within one year

	2005 £000	2004 £000
Amounts due from fellow group undertakings	6,257	8,990
	<hr/>	<hr/>

9 Creditors: amounts falling due within one year

	2005 £000	2004 £000
Obligations under finance leases	496	421
Amounts due to group undertakings	321	321
	<hr/>	<hr/>
	817	742
	<hr/>	<hr/>

Notes (continued)

10 Creditors: amounts falling due after more than one year

	2005 £000	2004 £000
Obligations under finance leases	4,276	4,772
Split between due in:		
One to two years	496	496
Two to five years	2,909	2,909
After five years	871	1,367
	4,276	4,772
Included within creditors: amounts falling due within one year (note 9)	496	421
	4,772	5,193

Obligations under finance leases are secured by related assets.

11 Provisions for liabilities and charges

	Provided		Unprovided	
	2005 £000	2004 £000	2005 £000	2004 £000
Deferred taxation				
At 1 January 2005	2,222	2,079	-	-
(Credit)/charge in year	(120)	143	-	-
At 31 December 2005	2,102	2,222	-	-
Deferred tax comprises:				
Accelerated capital allowances	2,102	2,222	-	-

12 Called up share capital

	2005 £000	2004 £000
Authorised		
7,000,000 ordinary shares of £1 each	7,000	7,000
Called up, allotted and fully paid		
6,295,500 ordinary shares of £1 each	6,296	6,296

Notes (continued)

13 Reserves

Profit and loss account	£000
At 1 January 2005	2,743
Profit for the financial year	571
	<hr/>
At 31 December 2005	3,314
	<hr/>

14 Reconciliation of movement in shareholders' funds

	2005 £000	2004 £000
Profit for the financial year	571	529
Opening shareholders' funds	9,039	8,510
	<hr/>	<hr/>
Closing shareholders' funds	9,610	9,039
	<hr/>	<hr/>

15 Operating lease commitments

At 31 December 2005, the Company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings 2005 £000	Plant and machinery 2005 £000
Operating leases which expire:		
In two to five years	-	5
In over five years	51	-
	<hr/>	<hr/>
	51	5
	<hr/>	<hr/>

16 Pension contributions

The Company participates in the defined contribution scheme 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. The contributions by the Company to the scheme in the year ended 31 December 2005 amounted to £4,000 (2004: £5,000).

Notes (continued)

17 Contingent liabilities

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

18 Related party transactions

In the ordinary course of business, the Company has also traded with fellow subsidiaries of Monterey Capital II Sarl. 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 TFCP Holdings Limited (*formerly Terra Firma Capital Partners Holdings Limited*), a company registered in Guernsey, as the ultimate controlling party and the ultimate parent entity.

Monterey Capital II Sarl 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 Waste Recycling Group Limited financial statements are available from the Company Secretary, Ground Floor West, 900 Pavilion Drive, Northampton Business Park, Northampton, NN4 7RG.