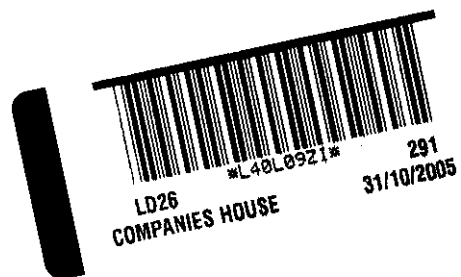


WasteNotts (Reclamation) Limited

Directors' report and financial
statements

Registered number 2674169

Draft - 31 December 2004



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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 2004.

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.

Review of developments and future prospects

The result for the year was in line with Directors' expectations and trading at current levels is anticipated for the foreseeable future.

Developments in the year

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.

Results and dividends

The result for the year is set out on page 6. The Directors do not recommend the payment of a dividend (2003: *£nil*) and thus £529,000 (2003: *£1,929,000*) has been transferred to reserves.

Directors and their interests

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

R Prior	(resigned 15 January 2004)
JR Meredith	
LJD Cassells	(appointed 15 January 2004)
SN Hardman	(appointed 16 August 2004)

None of the Directors or connected persons held an interest in the share capital of the Company during the year. The interests of the Directors and connected persons in the share capital of WRG Investments Limited (formerly Cholet Investments Limited), an indirect parent company of the Company, at 31 December 2004 are set out below:

		31 December 2004		1 January 2004*	
		Beneficial	Non-beneficial	Beneficial	Non-beneficial
LJD Cassells	'B' Ordinary shares £0.01	500	-	-	-
SN Hardman	'B' Ordinary shares £0.01	300	-	-	-
JR Meredith	'B' Ordinary shares £0.01	2,000	-	-	-

*or date of appointment if later

Directors' report (*continued*)

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.

Charitable and political donations

No political or charitable donations were made during the year (2003: *£nil*).

By order of the board



JM Bolton
Company Secretary

28 October 2005

Statement of Directors' responsibilities

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss for that period. In preparing those 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 which disclose 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 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

Report of the independent auditors to the members of WasteNotts (Reclamation) Limited

We have audited the financial statements on pages 6 to 14.

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 are responsible for preparing the Directors' report and, as described on page 4, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 transactions with the Company is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards 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 judgements 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG *WP*

KPMG LLP
Chartered Accountants
Registered Auditor

31 October 2005

Profit and loss account
year ended 31 December 2004

	<i>Note</i>	2004 £000	2003 £000
Turnover	2	5,451	5,382
Cost of sales		(3,956)	(3,632)
Gross profit		1,495	1,750
Administrative expenses		(343)	(374)
Operating profit		1,152	1,376
Interest payable and similar charges	5	(480)	(507)
Profit on ordinary activities before taxation	3	672	869
Tax on profit on ordinary activities	6	(143)	1,060
Profit for the financial year		529	1,929

All results are derived from 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.

There is no material difference between the loss on a historical cost basis and that shown in the profit and loss account.

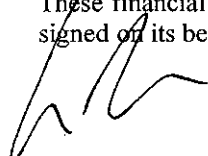
Balance sheet
at 31 December 2004

	<i>Note</i>	2004 £000	2003 £000
Fixed assets			
Tangible assets	7	7,784	7,775
Current assets			
Debtors: amounts falling due within one year	8	8,990	8,623
Cash at bank and in hand		1	54
Creditors: amounts falling due within one year	9	8,991 (742)	8,677 (674)
Net current assets		8,249	8,003
Total assets less current liabilities		16,033	15,778
Creditors: amounts falling due after more than one year	10	(4,772)	(5,189)
Provisions for liabilities and charges	11	(2,222)	(2,079)
Net assets		9,039	8,510
Capital and reserves			
Called up share capital	12	6,296	6,296
Profit and loss account	13	2,743	2,214
Equity shareholders' funds	14	9,039	8,510

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

28 October

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.

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.

Related party transactions

As the Company is an indirectly wholly owned subsidiary of WRG Holdings Limited (formerly Cholet Holdings Limited), the Company has taken advantage of the exemption contained in FRS8 and has therefore not disclosed transactions or balances with entities that form part of the group. The consolidated financial statements of WRG Holdings Limited, within which the Company is included, can be obtained from the address given in note 18.

Tangible fixed assets

Tangible fixed assets are shown at cost or valuation. 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 equipment	- 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 FRS19.

Turnover

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

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 period 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.

Notes (continued)

2 Turnover

All turnover was generated in the United Kingdom principally from receiving, treating, recycling and disposing of waste materials which the Directors consider to be a single business segment.

3 Profit on ordinary activities before taxation

	2004 £000	2003 £000
Profit on ordinary activities is stated after charging:		
Depreciation – owned assets	460	705
Depreciation – leased assets	348	249
Operating lease rentals – other	43	-
Operating lease rentals – plant and machinery	5	5
	<hr/>	<hr/>

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

	2004 £000	2003 £000
Staff costs incurred in respect of employees below:		
Wages and salaries	71	58
Social security costs	7	4
Other pension costs	5	5
	<hr/>	<hr/>
	83	67
	<hr/>	<hr/>
	No.	No.
The average weekly number of employees during the year was:	7	4
	<hr/>	<hr/>

5 Interest payable and similar charges

	2004 £000	2003 £000
Finance lease interest	480	507
	<hr/>	<hr/>

Notes (continued)

6 Taxation

	2004 £000	2003 £000
UK Corporation tax		
United Kingdom corporation tax at 30% (2003: 30%) based on profits for the year	-	-
Adjustments in respect of prior periods	-	(679)
	<hr/>	<hr/>
Total current tax charge/(credit)	-	(679)
Deferred tax		
Timing differences, origination and reversal	143	(381)
	<hr/>	<hr/>
Tax on profit on ordinary activities	143	(1,060)
	<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:

	2004 £000	2003 £000
Profit on ordinary activities before tax	672	869
	<hr/>	<hr/>
Tax on profit on ordinary activities at standard rate	202	261
Factors affecting charge:		
Group loss relief claimed	(322)	(374)
Depreciation in excess of capital allowances	120	113
Adjustments in respect of prior periods	-	(679)
	<hr/>	<hr/>
	-	(679)
	<hr/>	<hr/>

Notes (continued)

7 Tangible fixed assets

	Other property £000	Plant and machinery £000	Total £000
Cost			
At 1 January 2004	15,110	553	15,663
Additions	-	695	695
Transfers between group companies/reclassifications	-	122	122
	<hr/>	<hr/>	<hr/>
At 31 December 2004	15,110	1,370	16,480
	<hr/>	<hr/>	<hr/>
Depreciation			
At 1 January 2004	7,764	124	7,888
Charge for year	755	53	808
	<hr/>	<hr/>	<hr/>
At 31 December 2004	8,519	177	8,696
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 December 2004	6,591	1,193	7,784
	<hr/>	<hr/>	<hr/>
At 31 December 2003	7,346	429	7,775
	<hr/>	<hr/>	<hr/>

The net book value of other property includes £5,193,000 (2003: £5,541,000) in respect of assets held under finance leases. The depreciation charged on these assets during the year was £348,000 (2003: £249,000).

8 Debtors: amounts falling due within one year

	2004 £000	2003 £000
Amounts due from fellow group undertakings	8,990	8,623
	<hr/>	<hr/>

9 Creditors: amounts falling due within one year

	2004 £000	2003 £000
Obligations under finance leases	421	353
Amounts due to group undertakings	321	321
	<hr/>	<hr/>
	742	674
	<hr/>	<hr/>

Notes (continued)

10 Creditors: amounts falling due after more than one year

	2004 £000	2003 £000
Obligations under finance leases	4,772	5,189
Split between due in:		
One to two years	496	421
Two to five years	2,909	1,745
After five years	1,367	3,023
	4,772	5,189
Included within creditors due in less than one year (note 9)	421	353
	5,193	5,542

Obligations under finance leases are secured by related assets.

11 Provisions for liabilities and charges

	Provided		Unprovided	
	2004 £000	2003 £000	2004 £000	2003 £000
Deferred taxation				
At 1 January 2004	2,079	2,460	-	-
Charge/(credit) in year	143	(381)	-	-
At 31 December 2004	2,222	2,079	-	-
Deferred tax comprises:				
Accelerated capital allowances	2,222	2,079	-	-

12 Called up share capital

	2004 £000	2003 £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 2004	2,214
Profit for the financial year	529
	<hr/>
At 31 December 2004	2,743
	<hr/>

14 Reconciliation of movement in shareholders' funds

	2004 £000	2003 £000
Profit/(loss) for the financial year	529	1,929
Opening shareholders' funds	8,510	6,581
	<hr/>	<hr/>
Closing shareholders' funds	9,039	8,510
	<hr/>	<hr/>

15 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 schemes in the year amounted to £5,000 (2003: £5,000).

16 Contingent liabilities

- The Company has entered into unlimited cross-guarantees with its bankers relating to the borrowings of other group companies.
- 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.
- 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.

17 Related party transactions

In the ordinary course of business, the Company has also traded with fellow subsidiaries of WRG Holdings Limited. The Company has taken advantage of the exemption conferred by FRS8.

Notes *(continued)*

18 Ultimate parent company

The Company's immediate parent undertaking is Waste Recycling Limited, a company registered in England and Wales.

The Directors regard Terra Firma Capital Partners Holdings Limited, a company registered in Guernsey, as the ultimate controlling party and the ultimate parent entity.

WRG Holdings Limited (formerly Cholet Holdings Limited) is the parent company of the largest group of which the Company is a member and for which group accounts are drawn up. Copies of WRG Holdings Limited financial statements are available from the Company Secretary, Ground Floor West, 900 Pavilion Drive, Northampton Business Park, Northampton, NN4 7RG.