BDR Waste Disposal Limited

Directors' report and financial statements

Registered number 2692495

31 December 2006

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Contents

Statutory information

Directors

SN Jennings
JR Meredith
LJD Cassells
KE Billington
C Fletcher
SJ Mawson

Company secretary

JM Bolton

Joint company secretary

S N Hardman

Registered office

Ground Floor West
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Auditors

KPMG LLP
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Directors' report

The directors (the "Directors") of BDR Waste Disposal Limited (the "Company") present their annual report and the audited financial statements for the year ended 31 December 2006 References in this Directors' report to "the Group" cover the operations of Waste Recycling Group Limited and its subsidiaries, including the Company

Principal activity and business review

The principal activity of the Company continues to be the disposal of domestic and commercial waste, the management of civic amenity sites and the generation of electricity from landfill sites

The activities, strategy and risks affecting the Company are inextricably similar to, and dependent on, those of the Group and consequently the following narrative relates to the Group including the Company The Group is one of the leading waste management services companies in the UK providing a range of cost effective and environmentally sustainable waste processing, recycling, disposal and energy recovery services for local authority and private commercial customers The Group comprises four trading divisions

- North Division – responsible for landfill, transfer recycling and civic amenity operations in the North of England, East Midlands, North Wales and Scotland, for the Waste Treatment Division which treats hazardous solid and liquid wastes and for Alco, the Cumbria collection, treatment and healthcare business
- South Division – responsible for all landfill, transfer recycling and civic amenity operations in East Anglia, the South East, Lincolnshire, the West Midlands and South Wales and the servicing of recycling banks in the eastern part of England
- The Green Energy+ Division – manages Energy from Waste ("EfW") plants, which generate power by burning municipal solid waste at Eastcroft, Nottingham and at Allington, Kent
- Quarries Division – operates quarries in Yorkshire

The acquisition of the Group, including the Company and its waste disposal business, from WRG Holdings Limited (now Infinis Holdings Limited), by Fomento de Construcciones y Contratas, S A ("FCC"), on 27 September 2006, heralds an exciting stage in the Group's growth FCC is a multi-national business with operations in Europe, South America and the United States Following the acquisition of the Group, FCC is now a leading player in the UK waste management sector

The acquisition of the Group follows the demerger, in May 2006, of WRG Holdings Limited's activities into distinct waste management and renewable energy businesses ("WtE") Infinis Operations 2 Limited (formerly WRG Operations 2 Limited), a subsidiary of WRG Holdings Limited, acquired the renewable energy business of the Group excluding the Company

Objectives, strategy and risk

The Group's key areas of strategic development and performance of the business include

- Sales and marketing new and replacement business is being sought and won on an ongoing basis The Group works hard to ensure that existing customers business is retained and key customer relationships are monitored on a regular basis The Group is developing into a key player in the PFI and Public Private Partnership market
- Services new waste management solutions continue to be developed for both new and existing customers We work with customers to find the best value integrated solutions that put recycling, composting and landfill diversion at the heart of waste management strategies
- Stakeholders the Group is working to strengthen relationships with our customers, suppliers, contractors and other stakeholders including the communities in the areas within which we operate

Directors' report *(continued)*

Objectives, strategy and risk *(continued)*

- Health and Safety the Group treats health and safety as a key area of importance and is always seeking ways of ensuring a safe environment for all employees and stakeholders
- Environment the Group strives to achieve environmental best practice across its operations To achieve this, the Directors keep policies, procedures and performance under continuous review and we also maintain an ongoing close relationship with the relevant regulatory bodies including the Environment Agency
- Employees the Group aims to enhance the quality of our workforce, by providing good working conditions, including training and development opportunities and by careful recruitment processes

The Group operates in a highly regulated market that contains numerous risks and uncertainties The Group has appointed a Risk Committee that actively monitors the key risks that impact the business including the compilation of a comprehensive risk register The Directors of the Company regard the following to be the principal risks and uncertainties affecting the business The Company's approach to managing these risks and uncertainties is considered below

- Health and Safety Health and safety is a key issue for the Group due to the nature of operations including the use of heavy plant and equipment and difficult working conditions The Group is continually seeking, in consultation with the appropriate authorities, opportunities to enhance performance in this area, implementing any improvements identified as necessary, expeditiously Rigorous health and safety training for all employees is undertaken and is underpinned by detailed policies and procedures The Directors receive regular reports on health and safety performance affecting the Company's operations and it employs a dedicated team to monitor and promote high standards All employees are expected to recognise their role for achieving high performance on health and safety matters and exhibit this through their approach and attitude at work
- Environmental risks The Group's operations are heavily regulated under environmental legislation principally by the Environment Agency in England and Wales and the Scottish Environment Protection Agency in Scotland Compliance with all environmental legislation pertinent to the Company's activities is a minimum requirement The Directors receive regular reports on environmental compliance at the Group's sites and environmental compliance is monitored and controlled by a dedicated team within the Group The Group has adopted a formal environmental policy and detailed environmental procedures to enable compliance with environmental legislation
- Major disruption/disaster The Group as part of its risk management programme has developed business continuity planning for its operations As part of this planning the Group has developed plans to accommodate the diversion of waste from single or multiple sites in the event of major disruption or disaster affecting a site or region
- The effect of new legislation or other regulatory activities The Group monitors forthcoming and current legislation regularly to ensure full compliance and to anticipate and assess the impact upon its operations Many contracts with municipal customers include provisions which allow the Group to pass through certain increased costs arising as a result of legislative changes which occur during the life of the contracts
- Litigation The Group is subject to litigation from time to time The outcome of legal action is always uncertain and there is the risk that it may prove more costly and time consuming than expected There is a risk that litigation could be instigated in the future which could materially impact the Group In some liability cases legal expenses are covered by insurance This risk is managed through constant monitoring and the Group having a full time Group Legal Director

Directors' report *(continued)*

Objectives, strategy and risk *(continued)*

- Competitive risk The Group operates in highly competitive markets Competitors may be able to offer services at rates below that of the Group due to lower operating and overhead costs and lower investment returns To mitigate this risk the Group ensures that its cost base is appropriately structured In addition the Group endeavours to enter into medium and long term waste disposal contracts to guarantee revenues over the longer term, particularly with its municipal customers
- Employees The loss of key employees to the business or the inability to hire experienced management personnel could have a material adverse effect on the business To manage this risk succession planning for senior positions within the Group is undertaken In addition the acquisition of the Group by FCC in September 2006 enables the Group to draw on wider resources within the FCC group going forward

Future trends and developments

The Directors consider that the business of the Group and Company is sound for the immediate future The development of the business will be subject to numerous factors However the impact of the European Union Landfill Directive and the diversion of waste away from landfill sites to alternative disposal methods or recycling initiatives will fundamentally shape the development of the business going forward The need for significant amounts of capital to support this transition is most likely to lead to consolidation within the waste management industry thereby presenting both opportunity and risk to the Group

Results and dividends

The results of the Company for the year ended 31 December 2006 are set out on page 10 The profit for the financial year ended 31 December 2006 amounted to £4,059,000 *(2005 £1,569,000)* On 27 July 2006 a final dividend totalling £392,200 was declared and paid on 1 August 2006 to the holders of the C Ordinary Shares in respect of the financial year ended 31 December 2005 The Directors recommend a final dividend totalling £1,014,600 to the holders of the C Ordinary Shares in respect of the financial year ended 31 December 2006 A resolution covering the recommended final dividend will be proposed at the forthcoming 2007 Annual General Meeting The retained profit of £4,059,000 (*2005 1,569,000*) will be transferred to reserves

Other Financial and Non-Financial Key Performance Indicators (KPI's)

To help deliver the strategy and to assist in managing operational performance of the business, the following KPI's are part of the tools used by the Group to monitor the Group's businesses performance

- EBITDAP – earnings before interest, tax, depreciation, amortisation, provisions and exceptional items This is used as a management tool on a site by site basis as it is a measure of performance including revenues and costs which can be directly controlled by site It is also used for the business as a whole as a measure of cash flow

	2006 £000	2005 £000
EBITDAP	4,995	4,677

- Return on capital employed (ROCE) – defined as profit before tax divided by net assets This is used as a measure of performance across the Group and in similar businesses where there is a requirement for regular and high levels of capital investment

	2006 %	2005 %
ROCE	35 6	22 8

Directors' report *(continued)*

Other Financial and Non-Financial Key Performance Indicators (KPI's) *(continued)*

- Both the Company's EBITDAP and ROCE are in line with Directors expectations
- WRG's main safety KPI over recent years has been the Incidence Rate per 100,000 employees for RIDDOR-reportable incidents This includes both major incidents and incidents leading to over three days absence from work This is a common KPI in the industry In 2006 WRG achieved a 5 1% improvement over the prior year (1687 versus 1778 in 2005), against a target improvement of 10% Major incidents, during the year, were significantly reduced but not absences over three days These are the focus for improvement going forwards via a campaign of tool box talks, posters and e-learning In 2006 the Environment Agency adopted a 10% year on year improvement of this KPI as its safety objective in the newly-published EA Waste Sector Plan
- WRG operates an Environmental Management System (EMS) that conforms to the ISO 14001 standard The key environmental aspects of our activities are identified in the EMS as landfill gas and leachate emissions to the surrounding receptors KPI's are set for each of these aspects at every landfill site and reported monthly, both individually and in aggregate The KPI for landfill gas is the proportion of gas migration monitoring points sampled that are compliant within limits For leachate it is the proportion of leachate level monitoring points that are compliant For landfill gas migration, 2006 average compliance was 93 2% versus 93 4% for 2005 The lack of improvement in this KPI is due to a higher than normal incidence of landfill fires, disrupting gas control, and the temporary removal and replacement of gas control systems to facilitate further landfilling Neither factor is expected to reoccur For leachate a valid comparison cannot be made, as leachate compliance levels have changed at many sites as a result of the implementation of the Landfill Directive under the PPC permit regime Leachate monitoring continues, indeed is enhanced by improvements made in order to comply with the Directive's requirements After control levels have been rebased, the KPI will be reported from 2007 onwards

Directors and their interests

The Directors who served as directors of the Company during the year ended 31 December 2006 and up to the date of this report were as follows

SN Jennings
JR Meredith
A McKay (resigned 21 June 2006)
LJD Cassells
S Exelby (resigned 11 July 2006)
KE Billington
C Fletcher
SJ Mawson (appointed 24 July 2006)

None of the Directors or connected persons who held office at 31 December 2006 held any interests in the share capital of the Company or any related group undertaking at 31 December 2006

Employees

A policy of equal opportunity employment throughout the Group continues to be encouraged at all times Subject to the nature of its businesses in the waste management industry, the policy of the Group is to ensure that there are fair opportunities for the employment and training of disabled persons The Directors recognise the importance of communication with employees Members of the Executive management team regularly visit sites and discuss with staff matters of current interest and concern to the business

Charitable and political donations

No political or charitable donations were made during the year ended 31 December 2006 *(2005 £nil)*

Directors' report *(continued)*

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 and Annual General Meeting

A resolution to re-appoint KPMG LLP as auditors of the Company will be proposed at the Annual General Meeting of the Company to be held in 2007

By order of the board

JM Bolton
Company Secretary

16th March 2007

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

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Independent auditors' report to the members of BDR Waste Disposal Limited

We have audited the financial statements of BDR Waste Disposal Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement 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 7

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 BDR Waste Disposal 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 2006 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

16 March 2007

Profit and loss account
year ended 31 December 2006

	Note	2006 £000	2005 £000
Turnover	2	18,356	16,701
Cost of sales		(11,890)	(13,529)
Gross profit		6,466	3,172
Administrative expenses		(1,159)	(904)
Operating profit		5,307	2,268
Interest payable and similar charges	5	(1,248)	(594)
Profit on ordinary activities before taxation	3	4,059	1,674
Tax on profit on ordinary activities	6	-	(105)
Profit for the financial year	14	4,059	1,569

All results are derived from continuing operations

There are no recognised gains and losses in either the financial year ended 31 December 2006 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

Note of historical cost profits and losses
year ended 31 December 2006

	2006 £000	2005 £000
Profit on ordinary activities before taxation	4,059	1,674
Difference between historical cost depreciation charge and the actual depreciation charge calculated on the revalued amounts	55	55
Historical cost profit on ordinary activities before taxation	4,114	1,729
Historical cost profit for the year retained after taxation	4,114	1,624

Balance sheet
at 31 December 2006

	Note	2006 £000	2005 £000
Fixed assets			
Tangible assets	7	10,976	10,778
Current assets			
Debtors amounts due within one year	8	1,946	4,679
Debtors amounts due after more than one year	9	809	1,016
Total debtors		2,755	5,695
Cash at bank and in hand		7,717	-
		10,472	5,695
Creditors amounts falling due within one year	10	(3,074)	(808)
Net current assets		7,398	4,887
Total assets less current liabilities		18,374	15,665
Creditors: amounts falling due after more than one year	11	(1,812)	(1,812)
Provisions for liabilities and charges	12	(5,149)	(6,499)
Net assets		11,413	7,354
Capital and reserves			
Called up share capital	13	38	38
Revaluation reserve	14	289	344
Profit and loss account	14	11,086	6,972
Equity shareholders' funds		11,413	7,354

These financial statements were approved by the board of Directors on 16th March 2007 and were signed on its behalf by

LJD Cassells
Director

Reconciliation of movements in shareholders' funds
year ended 31 December 2006

	2006 £000	2005 £000
Profit for the financial year	4,059	1,569
Net additions to shareholders' funds	4,059	1,569
Opening shareholders' funds	7,354	5,785
Closing shareholders' funds	11,413	7,354

Cash flow statement
at 31 December 2006

	Note	2006 £000	2005 £000
Net cash inflow from operating activities	*15*	8,728	1,789
Returns on investments and servicing of finance			
Preference share dividend paid		(78)	(103)
Taxation		-	-
Capital expenditure and financial investments			
Payments to acquire tangible fixed assets		(933)	(1,686)
Increase in cash	*16*	7,717	-

Reconciliation of net cash flow to movement in net funds (note 16)

	2006 £000	2005 £000
Increase in cash in the year	7,717	-
Net funds at 1 January	-	-
Net funds at 31 December	7,717	-

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 as modified by the revaluation of freehold/leasehold properties

Turnover

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

Tangible fixed assets

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

Freehold buildings	- over 25 to 50 years
Landfill sites	- based on the void used in the period as a proportion of total void
Leasehold properties and licence agreements	- over the expected life
Leased assets	- over the term of the lease
Plant and machinery	- over 3 to 20 years
Motor vehicles	- over 4 years

No depreciation is provided for on freehold land

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

On adoption of FRS 15, the transitional provisions were applied and therefore previous valuations will be maintained

Leases

Operating leases are charged to the profit and loss account on a straight-line basis over the lease term

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

Notes *(continued)*

1 Accounting policies *(continued)*

Decommissioning and after-care 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 after-care 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

During the year, the restoration provision was renamed the decommissioning provision

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 without 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 disposal of domestic and commercial waste, the management of civic amenity sites and the generation of electricity from landfill sites

3 Profit on ordinary activities before taxation

	2006 £000	2005 £000
Profit on ordinary activities before taxation stated after charging/(crediting) exceptional items		
- Decrease in decommissioning and aftercare provisions on revision of estimate of future costs (note a)	**(1,428)**	-
- Increase in other provisions (note a)	**250**	-
	(1,178)	-
Profit on ordinary activities before taxation is stated after charging items		
Depreciation – on owned tangible fixed assets	**871**	1,811
Operating lease rentals – plant and machinery	**104**	304
Operating lease rentals – land and buildings	**3**	2

(a) Reassessment of the Company's obligation for decommissioning and after-care costs in respect of landfill sites and the recognition of other specific liabilities

Auditors' remuneration in respect of audit fees has been met by Waste Recycling Limited, a fellow subsidiary undertaking of Waste Recycling Group Limited

Notes *(continued)*

4 Information regarding directors and employees

	2006 £000	2005 £000
Wages and salaries	399	420
Social security costs	40	44
Other pension costs	18	19
	457	483

	No	No
The average weekly number of employees (including Directors) during the year was	21	25

Directors' remuneration

	2006 £000	2005 £000
Directors' emoluments	4	6

None of the executive directors who served during the year ended 31 December 2006 or the previous year received any remuneration or other benefits through the Company They are all remunerated as directors or employees of Waste Recycling Group Limited, the Company's immediate parent Included within directors' remuneration above are amounts paid to Mr A McKay and Mr K Billington in respect of directors' fees for their services as non-executive directors Mr S Exelby and Mr S Mawson also served as non-executive directors but did not receive any remuneration or other benefits in either year

5 Interest payable and similar charges

	2006 £000	2005 £000
Unwinding of discount (note 12)	233	202
Preference share dividend	1,015	392
	1,248	594

Notes *(continued)*

6 Tax on profit on ordinary activities

	2006 £000	2005 £000
Corporation tax		
United Kingdom corporation tax at 30% *(2005 30%)* based on profits for the year	-	-
Adjustments in respect of prior years	-	105
Total current tax charge	-	105
Deferred tax		
Timing differences, origination and reversal	-	-
Tax on profit on ordinary activities	-	105

The total current tax charge for the current and previous year is less than the standard rate of 30% (*2005 30%*) for the reasons set out in the following reconciliation

	2006 £000	2005 £000
Profit on ordinary activities before tax	4,059	1,674
Tax on profit on ordinary activities at standard rate	1,218	502
Factors affecting charge		
Group loss relief claimed	(1,640)	(612)
Depreciation in excess of capital allowances	93	541
Site preparation relief	(257)	(401)
Utilisation of general provisions	282	(148)
Preference share dividend	304	118
Adjustment in respect of prior years	-	105
	-	105

Notes *(continued)*

7 Tangible fixed assets

	Landfill sites £000	Other freehold property £000	Plant and equipment £000	Total £000
Cost				
Cost at 1 January 2006	22,085	2,480	4,057	28,622
Additions	866	17	50	933
Transfer between group companies/reclassifications	106	(5)	35	136
At 31 December 2006	23,057	2,492	4,142	29,691
Depreciation				
At 1 January 2006	15,985	992	867	17,844
Charge for the year	583	55	233	871
At 31 December 2006	16,568	1,047	1,100	18,715
Net book value				
At 31 December 2006	**6,489**	**1,445**	**3,042**	**10,976**
At 31 December 2005	6,100	1,488	3,190	10,778

For freehold and leasehold landfill sites the historic cost equivalent is as follows

	2006 £000	2005 £000
Cost	**12,607**	11,635
Accumulated depreciation	**(11,235)**	(10,707)
Net book value	**1,372**	928

Freehold and leasehold properties were valued at Directors' valuation on 27 January 1999 On adoption of FRS 15 the transitional provisions were applied therefore the previous valuation will be maintained

8 Debtors. amounts due within one year

	2006 £000	2005 £000
Other debtors	**1,091**	-
Amounts owed from fellow subsidiary undertakings	**855**	4,679
	1,946	4,679

Notes *(continued)*

9 Debtors amounts due after more than one year

	2006 £000	2005 £000
Amounts prepaid to fellow group subsidiary	809	1,016

10 Creditors: amounts falling due within one year

	2006 £000	2005 £000
Amounts due to fellow subsidiary undertakings	2,059	416
Preference dividends payable on C Ordinary Shares (see note 5)	1,015	392
	3,074	808

11 Creditors: amounts falling after more than one year

	2006 £000	2005 £000
'C' ordinary shares (see note 13)	1,812	1,812

12 Provisions for liabilities and charges

	Decommissioning £000	Landfill aftercare £000	Other £000	Total £000
At 1 January 2006	1,016	3,606	1,877	6,499
New provisions in the year (capitalised as fixed assets)	-	-	36	36
Expenditure in the year	(68)	(174)	(194)	(436)
(Credited)/charged to the profit and loss account	(173)	(1,459)	449	(1,183)
Unwinding of discount (note 5)	34	186	13	233
At 31 December 2006	809	2,159	2,181	5,149

The Group provides for the estimated cost of decommissioning its landfill sites at the end of their operational life and for their subsequent after-care The after-care period is generally expected to be 60 years These provisions are discounted from the date on which the expenditure is expected to occur

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

Notes *(contınued)*

12 Provısıons for lıabılıtıes and charges *(contınued)*

Deferred taxatıon

	Provıded 2006 £000	2005 £000	Unprovıded 2006 £000	2005 £000
Accelerated capıtal allowances	**646**	430	**-**	-
Short term tımıng dıfferences	**(646)**	(430)	**(111)**	(191)
	-	-	**(111)**	(191)

13 Called up share capıtal

	2006 £	2005 £
Equıty shares		
Authorısed, called up, allotted and fully paıd		
1,998 'A' ordınary shares of £0 01 each	**20**	20
8,002 'B' ordınary shares of £0 01 each	**80**	80
37,500 deferred ordınary shares of £1 each	**37,500**	37,500
	37,600	37,600
Non-equıty shares reclassed to credıtors due after more than one year (note 11)		
Authorısed, called up, allotted and fully paıd		
1,812,040 'C' ordınary shares of £1 each	**1,812,040**	1,812,040

The varıous rıghts attachıng to the dıfferent classıfications of shares are as follows

Votıng rıghts

The 'A' ordınary and 'B' ordınary shares carry 100% of the votıng rıghts ıncludıng the rıght to appoınt the Dırectors There were no votıng rıghts attached to the 'C' ordınary or 'deferred' ordınary shares ın any cırcumstances

Rıghts to receıve dıstrıbutıons

Neıther the 'A', 'B' or 'deferred' ordınary shares confer any rıght to receıve any dıvıdend or any other dıstrıbutıon from the Company The 'C' shares confer all rıghts to receıve dıvıdends and other dıstrıbutıons Under the joınt venture agreement dated 20 May 1993 the 'C' shareholders are entıtled to receıve a dıvıdend of 20% of the profits for each year The 'C' shares have therefore been reclassed as debt under FRS 25

Rıghts ın the event of a wındıng up

In the event of a wındıng up of the Company, the 'A' and 'B' shareholders have prıorıty over the other shareholders up to the nomınal amounts paıd up on theır shares The 'C' shareholders are then due £10,000,000 per share after whıch the 'deferred' shareholders are due an amount equal to the nomınal value of theır paıd up shares The balance of any remaınıng assets of the Company wıll belong to and be dıstrıbutable to the holders of 'C' shares ın proportıon to the nomınal value of the amounts paıd up

Notes *(continued)*

14 Movements on reserves

	Revaluation reserve £000	Profit and loss account £000	Total £000
At 1 January 2006	344	6,972	7,316
Profit for the financial year	-	4,059	4,059
Transfer from revaluation reserve to profit and loss reserve	(55)	55	-
At 31 December 2006	**289**	**11,086**	**11,375**

15 Reconciliation of operating profit to net cash inflow from operating activities

	2006 £000	2005 £000
Operating profit	**5,307**	2,268
Depreciation	**871**	1,811
Decrease/(increase) in debtors	**2,940**	(1,969)
Decrease in creditors	**(390)**	(321)
	8,728	1,789

16 Analysis of changes in net funds

	At 1 January 2006 £000	Cashflow £000	At 31 December 2006 £000
Cash at bank and in hand	-	7,717	**7,717**

Notes *(continued)*

17 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 the scheme 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 contribution rate commencing from 1 January 2004 is 16%

An actuarial valuation of the scheme at 31 March 2003 indicated that the scheme was 96% funded based upon the minimum funding requirement basis The outcome of the 31 March 2006 actuarial valuation is in the process of finalisation At 31 December 2006 the deficit on the WRG section of the LAWDC scheme, calculated on an FRS 17 basis, was £3,226,000 *(2005 £5,184,000)* 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

	2006 £000	2005 £000
Defined contribution scheme	**8**	5
LAWDC pension scheme	**10**	14
	18	19

18 Operating lease commitments

At 31 December 2006, the Company had annual commitments under non-cancellable operating leases as follows

	Land and buildings		Plant and machinery	
	2006 £000	2005 £000	2006 £000	2005 £000
Which expire				
Within one year	2	-	-	48
In two to five years	1	5	9	17
	3	5	9	65

19 Capital commitments

	2006 £000	2005 £000
Commitments on capital contracts placed at 31 December	-	-

Notes *(continued)*

20 Contingent liabilities

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

21 Related party transactions

During the year the Company provided waste disposal services to three local authorities, which hold in total 20% of the issued equity share capital of the Company Details of the transactions are as follows

	2006 £000	2005 £000
Waste disposal services included in turnover		
Barnsley MBC	**4,287**	4,051
Doncaster MBC	**4,740**	4,214
Rotherham MBC	**1,531**	1,686
	10,558	9,951

The Company operates under a management agency agreement with Waste Recycling Limited, a fellow subsidiary of Waste Recycling Group Limited All trading related transaction processing is undertaken by Waste Recycling Limited and is then recharged to the Company through the intercompany account The management fee charged by Waste Recycling Limited during the year under the agency agreement was £1,072,000 *(2005 £824,000)*

At the year end the Company had a balance owing by Anti Waste (Restoration) Limited, a fellow subsidiary of Waste Recycling Group Limited of £418,000 *(2005 £1,016,000)* for future costs of landfill site restoration

22 Ultimate parent company

The Company's immediate parent company is Waste Recycling Group Limited, a company which is registered in England and Wales Waste Recycling Group Limited holds 80% of the issued equity shares in the 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