

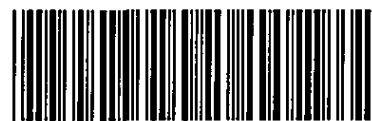
Pennine Waste Management Limited

Directors' report and financial
statements

Registered number 3057012

31 December 2006

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Statutory information

Directors

JR Meredith
LJD Cassells
SN Hardman
SN Jennings

Company secretary

JM Bolton

Joint 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 Pennine Waste Management Limited (the "Company") present their annual report and the audited financial statements for the year ended 31 December 2006

Principal activity

The principal activity of the Company is the operation of a waste transfer station and composting of green waste

Developments in the year

In the opinion of the Directors the Company has traded satisfactorily during the year ended 31 December 2006 and profitability is expected to continue in the forthcoming financial year

Results and dividends

The results of the Company for the year ended 31 December 2006 are set out on page 7. The profit after taxation for the year ended 31 December 2006 amounted to £199,000 (2005 £285,000). The Directors do not recommend the payment of a dividend (2005 £nil) and thus the profit of £199,000 (2005 £285,000) has been transferred to reserves.

Change in ownership

On 27 September 2006, the Company's ultimate parent company, WRG Holdings Limited (now Infinis Holdings Limited) sold its waste disposal business including the Company to Fomento de Construcciones y Contratas, S A, the leading Spanish construction and services group.

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:

JR Meredith
LJD Cassells
SN Hardman
SN Jennings (appointed 6 October 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.

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 and reports 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 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

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

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



KPMG LLP
1 The Embankment
Neville Street
Leeds
LS1 4DW

Independent auditors' report to the members of Pennine Waste Management Limited

We have audited the financial statements of Pennine Waste Management Limited for the year ended 31 December 2006 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 Pennine Waste Management 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

	<i>Note</i>	2006 £000	2005 £000
Turnover	2	2,937	3,214
Cost of sales		(2,555)	(2,771)
Gross profit		382	443
Administrative expenses		(183)	(158)
Profit on ordinary activities before taxation	3	199	285
Tax on profit on ordinary activities	5	-	-
Profit for the financial year	11	199	285

All results are derived from continuing operations

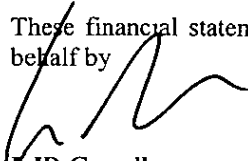
There are no recognised gains and losses in either the financial year ended 31 December 2006 or previous financial year other than as stated in the profit and loss account. Therefore, no separate statement of total recognised gains and losses has been presented.

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

Balance sheet
at 31 December 2006

	<i>Note</i>	2006 £000	2005 £000
Fixed assets			
Tangible assets	6	82	251
Current assets			
Debtors	7	51	-
Creditors amounts/falling due within one year	8	(330)	(647)
Net current liabilities		(279)	(647)
Total assets less current liabilities		(197)	(396)
Net liabilities		(197)	(396)
Capital and reserves			
Called up share capital	10	93	93
Share premium	11	463	463
Profit and loss account	11	(753)	(952)
Equity shareholders' deficit	12	(197)	(396)

These financial statements were approved by the board of Directors on 16th March 2007 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

Going concern

The ability of the Company to continue trading in the foreseeable future is largely dependent on the continued support of the parent company. The Company's immediate parent company, Waste Recycling Group Limited, has indicated that it intends to provide such funds as are necessary for the Company to continue to trade for the foreseeable future and accordingly the Directors consider that the financial statements should be prepared on a going concern basis

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

Turnover

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

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

Fixed plant and buildings	- over 25 years
Plant and machinery	- over 5 years

No depreciation is provided for on freehold land

Leases

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

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

Notes (continued)

2 Turnover

All turnover was generated in the United Kingdom principally from the operation of a waste transfer station and composting of green waste

3 Profit on ordinary activities before tax

	2006 £000	2005 £000
Profit on ordinary activities before taxation is stated after charging/(crediting)		
Depreciation – on owned tangible fixed assets	98	99
Profit on disposal of fixed assets	-	(20)
	<u>98</u>	<u>(20)</u>

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

4 Information regarding Directors and employees

None of the Directors received any remuneration or other benefits through the Company during the year ended 31 December 2006 or the year ended 31 December 2005. They are all remunerated as Directors or employees of Waste Recycling Group Limited, the parent company of the Company.

	2006 £000	2005 £000
Wages and salaries	83	83
Social security costs	8	8
Other pension costs	2	2
	<u>93</u>	<u>93</u>
	No	No
The average weekly number of employees (including the Directors) during the year was	<u>6</u>	<u>6</u>

Notes (continued)

5 Tax on profit on ordinary activities

	2006 £000	2005 £000
UK Corporation tax		
United Kingdom corporation tax at 30% (2005 30%) based on profits for the year	-	-
	<hr/>	<hr/>
Total current tax charge	-	-
Deferred tax		
Timing differences, origination and reversal	-	-
	<hr/>	<hr/>
Tax on profit on ordinary activities	-	-
	<hr/>	<hr/>

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

	2006 £000	2005 £000
Profit on ordinary activities before tax	199	285
	<hr/>	<hr/>
Tax on profit on ordinary activities at standard rate	59	85
Factors affecting charge		
Non-taxable items	-	(6)
Group loss relief claimed	(66)	(81)
Depreciation in excess of capital allowances	7	2
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>

Notes (continued)

6 Tangible fixed assets

	Freehold land and buildings £000	Plant and machinery £000	Total £000
<i>Cost</i>			
At 1 January 2006	363	836	1,199
Disposals	(3)	-	(3)
Transfers between group companies/reclassifications	-	(68)	(68)
	<hr/>	<hr/>	<hr/>
At 31 December 2006	360	768	1,128
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At 1 January 2006	360	588	948
Charge for the year	-	98	98
	<hr/>	<hr/>	<hr/>
At 31 December 2006	360	686	1,046
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 December 2006	-	82	82
	<hr/>	<hr/>	<hr/>
At 31 December 2005	3	248	251
	<hr/>	<hr/>	<hr/>

7 Debtors

	2006 £000	2005 £000
Amounts due from fellow subsidiary undertakings	51	-
	<hr/>	<hr/>

8 Creditors, amounts falling due within one year

	2006 £000	2005 £000
Amounts due to fellow subsidiary undertakings	330	647
	<hr/>	<hr/>

9 Provisions for liabilities and charges

	2006 £000	Unprovided 2005 £000
Deferred Tax		
Depreciation in excess of capital allowances	(68)	(62)
	<hr/>	<hr/>

Notes (continued)

10 Called up share capital

	2006 £	2005 £
<i>Authorised</i>		
100,000 ordinary shares of £1 each	100,000	100,000
	<hr/>	<hr/>
<i>Called up, allotted and fully paid</i>		
92,626 ordinary shares of £1 each	92,626	92,626
	<hr/>	<hr/>

11 Reserves

	Share Premium account £000	Profit and loss account £000	Total £000
At 1 January 2006	463	(952)	(489)
Profit for the financial year	-	199	199
	<hr/>	<hr/>	<hr/>
At 31 December 2006	463	(753)	(290)
	<hr/>	<hr/>	<hr/>

12 Reconciliation of movement in shareholders' deficit

	2006 £000	2005 £000
Profit for the financial year	199	285
Opening shareholders' deficit	(396)	(681)
	<hr/>	<hr/>
Closing shareholders' deficit	(197)	(396)
	<hr/>	<hr/>

13 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.

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

Contributions by the Company to the scheme for the year ended 31 December 2006 amounted to £2,000 (2005 £2,000).

14 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.

Notes (continued)

15 Related party transactions

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

In the period prior to the change in the Company's ultimate parent undertaking on 27 September 2006, the Company also traded with fellow subsidiaries of WRG Holdings Limited (renamed Infinis Holdings Limited)

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

16 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