

WRG Berkshire Limited

**Directors' report and financial
statements**

Registered number 5663735

For the year ended 31 December 2008

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Statutory information

Directors

JR Meredith
LJD Cassells
CJ Ellis
VF Orts-Llopis

Company Secretary

C Favier-Tilston

Registered office

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Auditors

KPMG LLP
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Directors' report and business review

The directors (the "Directors") of WRG Berkshire Limited (the "Company") present their report and audited financial statements for the year ended 31 December 2008. References in this Directors' report to "the Group" cover the operations of Waste Recycling Group Limited and its subsidiaries, including the Company.

Overview

Waste Recycling Group Limited ("WRG") is ultimately owned by Fomento de Construcciones y Contratas, S.A. ("FCC"). FCC is a significant multi-national business listed on the Spanish stock exchange, with operations in Europe, South America and the United States of America. FCC's principal activities cover Environmental Services (including waste), Non-Environmental Services, Construction, Cement, Renewable Energy and Real Estate.

FCC's substantial financial strength and depth of experience in the European waste infrastructure sector is backed by over 100 years of experience in operating municipal services contracts; this complements the Group's position as a principal player in the UK waste management sector and WRG's ambition to become a key player in establishing the next generation of waste treatment infrastructure in the UK. FCC have developed a strategic plan for 2008-2010 with the objective to consolidate and integrate the Group further into the wider FCC Group and to invest in the continued development of services in the UK through Private Finance Initiative ("PFI") and Public Private Partnership ("PPP") schemes. The Board continues to look forward to the opportunities that are presented to WRG and its employees by virtue of FCC's plans to expand its operations in the UK.

The Board sees the development of major waste infrastructure and strategic long-term partnerships as key to WRG's future business growth and expects considerable activity and deployment of Group resources into major PFI and PPP schemes, the development of innovative waste treatment solutions and provision of regional facilities such as the Allington Energy from Waste ("EfW") plant.

The Board remains of the view that EfW will be a key component of some regional waste strategies and, in combination with other recycling and recovery operations, backed up by landfill disposal for residues, represents a long-term sustainable solution for meeting its clients' diversion targets. The Government waste strategy for England, published in May 2007, has recognised that recovering energy from waste which cannot sensibly be recycled is an essential component of a well balanced energy policy.

Principal activity and business review

The principal activity of the Company is the handling, recycling and disposal of waste materials associated with the 25 year joint Waste Private Finance Initiative between Reading Borough Council, Bracknell Forest Borough Council and Wokingham District Council, known as the RE3 Waste Partnership.

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.

WRG together with its 47 subsidiary undertakings (together the "Group") is one of the UK's leading waste management services companies in the UK. The Group provides a range of cost effective and sustainable waste processing, recycling, treatment, disposal and energy recovery services for local authority and private commercial customers. In the year the Group received, treated, recycled and disposed of nearly 10.4 million (2007: 12 million) tonnes of household, commercial and industrial waste and managed around 200 permitted waste management facilities. Through innovative solutions, backed by a commitment to service, WRG is committed to working with its local authority partners and industrial and commercial customers to respond to often complex and far-reaching waste management strategies, to meet the challenges of increased regulation from the UK and Europe, and improve upon waste management targets.

Directors' report and business review (*continued*)

WRG is comprised of four main divisions:-

- North Division – responsible for all of WRG's landfill, transfer, household waste recycling, composting and recycling operations in the North of England, East Midlands, North Wales and Scotland; for the Waste Treatment Division, which treats hazardous solid and liquid wastes incorporating Alco, a collection, treatment and healthcare waste collection business and WRG's recently acquired waste collection and treatment business, both based in Cumbria.
- South Division – responsible for all of WRG's landfill, transfer, household waste recycling, composting and recycling operations in East Anglia, the South East, Lincolnshire, the West Midlands and South Wales and for the servicing of recycling banks in the East of England.
- The Green Energy+ Division – manages Energy from Waste plants at Eastcroft in Nottingham (producing steam) and at Allington in Kent (producing electricity for export). The division also seeks to develop new opportunities in EfW in support of the Group's strategy for PFI infrastructure contracts.
- Quarries Division – operates several quarries in Yorkshire.

Investment and management of the PFI/PPP bidding process is undertaken by WRG PFI Holdings Limited, a sister company of WRG, the results of which are not consolidated within these financial statements. The sister company also acts as the Holding Company for the Special Purpose Vehicles used as funding entities for these non-recourse finance projects.

The Group is a key player within the municipal waste management sector, with over 100 municipal contracts across England, Wales and Scotland.

The RE3 Waste Partnership, a PFI contract awarded to RE3 Limited, a subsidiary of WRG's sister company WRG PFI Holdings Limited, was the first PFI in which WRG was involved, with financial close achieved in October 2006 and commencing operations and construction works in December 2006. This £600 million, 25-year contract with Reading Borough Council, Bracknell Forest Borough Council and Wokingham Borough Council, is highly successful and is proving an excellent reference point for similar projects, with WRG providing waste disposal, treatment and management services to RE3 Limited.

In 2007, WRG Wrexham PFI Limited (also a subsidiary of WRG's sister company WRG PFI Holdings Limited) won a £330 million, 25-year PFI contract with Wrexham County Borough Council. The project aims to deliver a long-term sustainable solution for the Council's waste to enable it to meet its targets in relation to waste recycling, composting and landfill diversion, set by central Government, and is supported by WRG, which is again providing waste disposal, treatment and management services.

At the end of 2008, the Group was delighted to complete its formal takeover of the Allington EfW facility, in Kent. The facility is expected to be fully operational throughout 2009 dealing with municipal waste from Kent County Council, and Commercial and Industrial waste from surrounding areas.

In October 2008, WRG acquired the assets and business of the long-established waste collection and recycling company CAW Limited, based in Barrow-in-Furness, Cumbria. The business has an annual turnover in the region of £5 million. The acquisition will build on the significant presence that WRG already has in Cumbria.

In the same month, the Pepperhill facility, a combined Household Waste Recycling Centre and Transfer Station, constructed and managed by WRG on behalf of Kent County Council was formally opened. The facility is designed to manage up to 130,000 tonnes of waste annually, approximately 10 per cent of Kent's entire total household waste.

Objectives, strategy and risk

The Group's overall strategy is to become one of the leading integrated waste management companies in the UK by building on the Group's municipal relationships in the sector, and developing innovative treatment solutions backed by the strength and experience of FCC.

Directors' report and business review (*continued*)

WRG aims to become the partner of choice for its (existing and future) Local Authority, industrial and commercial customers. The Group's objective is to achieve sustainable business growth through the retention of existing customers and to seek out and win new business offering complementary treatment technologies. WRG and its sister company, WRG PFI Holdings Limited, continue to develop their position as key players in the PFI and PPP market with two major PFIs and one PPP partnership under management.

WRG continues to expand its network and range of treatment and recycling services to complement its landfill sites. It is this business platform that enables the Group to continue to meet the needs of its customers as they transition to long-term PFI-backed solutions.

The Group's areas of strategic development include:

- **Services:** New waste management solutions continue to be developed for both new and existing customers. The Group is working with its customers to find the best-value integrated solutions that put recycling, composting and other diversion technologies at the heart of their waste management strategies.
- **Stakeholders:** The Group continues to strengthen its relationships with customers, suppliers, employees, regulatory authorities and other stakeholders including the local communities in the areas in which it operates.
- **Environment:** The Group strives to achieve environmental best practice across all of its operations. To achieve this, the Directors keep policies, procedures and performance under continuous review and maintain an ongoing close relationship with the relevant regulatory bodies including the Environment Agency ("EA") and the Scottish Environment Protection Agency ("SEPA").
- **Community:** Waste Recycling Environmental Limited ("WREN") is the independent distributive environmental body that administers the tax credits generated by the landfill disposal activities of the Group. The Landfill Communities Fund, established by the Government in 1996, allows landfill operators to claim a proportion of the tax that is charged on waste disposed to landfill, and commit it to qualifying projects under the Fund via registered bodies such as WREN. Approximately £15 million a year is allocated by WREN and other registered environmental bodies to numerous community and environmental projects.
- **Employees:** The Group aims to enhance the overall quality of its workforce, by providing safe and rewarding working conditions, including clear career opportunities, backed by a solid training and development programme and transparent recruitment processes.

The Group's particular focus areas for 2008 were aligned with the objectives published by the EA in its Sector Plan for the waste management industry, published in August 2006.

- **Improve health and safety, reduce accidents:** The Group treats health and safety as a priority and is continually seeking improvements to ensure a safe environment for all employees and stakeholders. In 2008 the Group repeated, for the fourth year running, its target of a 10% reduction in the number of reportable injuries ("RIDDOR"s), these are major injuries reportable under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 1995 and which result in more than three days absence from work. WRG's target is in line with the EA's Key Performance Indicator ("KPI") of a 10% improvement in RIDDORs year-on-year, as published in the aforementioned EA Waste Sector Plan.
- **Mitigate impacts on climate change:** The Group believes that its commercial strategy is complementary to climate change improvement and will continue to report on the reduction of its methane and carbon dioxide emissions in its Corporate Social Responsibility Report. At the end of 2008, the Group had a total installed power generation capacity of 204.8MW on its landfill sites owned and operated by outside contractors.
- **Improve the level of compliance within the regulated community and reduce the frequency and level of illegal activity.** The Group understands the responsibilities of operating in the UK's highly controlled waste management industry. The Board takes these responsibilities very seriously and, as a corporate body, is committed to acting as a fit and proper person at all times, in accordance with the terms of its operating licence and permit conditions. During 2008, two (2007: one) Group companies were prosecuted. The first was in February for the disposal of waste, without the pre-operational engineering and infrastructure of the Artificially

Directors' report and business review (*continued*)

- Established Geological Barrier having been completed and validated. The second was in September for allowing polluting matter to enter controlled waters. As a consequence, the relevant Group companies have put in place detailed post-conviction plans, which have been approved by the EA. Three formal cautions, four enforcement notices and two non-compliance notices were issued by the EA in 2008 (2007: one formal caution, four enforcement notices and no non-compliance notices). There were no Health and Safety prohibition and improvement notices in the year (2007: one prohibition and one improvement notice).

Operating in the UK's highly regulated waste management market contains numerous risks and uncertainties for the Group. In response, the Board 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 Group and their 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 its operations, including the use of heavy plant equipment and difficult working conditions. The Group is continually improving in this area as a result of ongoing consultation with the relevant authorities and the monitoring of best practice initiatives. Whenever an area is highlighted for improvement, the Group seeks to implement such improvement expeditiously, through bulletins, on-line training courses and tool-box briefings. The Group's Incident Review Panel meets quarterly, at which senior management review significant health and safety incidents that have occurred at WRG sites to identify improvements and lessons for the business.
- **All employees undertake health and safety training,** which is underpinned by detailed policies and procedures. The Board receives regular reports on health and safety performance affecting the Group's operations and it employs a dedicated team, led by the Group Health and Safety Manager, to monitor and promote high standards. All employees are expected to recognise their role in achieving acceptable standards of health and safety and are expected to exhibit this through their approach and attitude to work. All employees are expected to complete on-line health and safety awareness training every eight weeks. This has helped to continue to improve the Group's already high health and safety standards.
- **Environmental risks:** The Group's operations are tightly controlled under environmental legislation derived principally from the EA and SEPA. Compliance with all environmental legislation pertinent to the Group's activities is a minimum requirement. The Directors receive regular reports on environmental compliance at the Group's sites and environmental compliance is managed by a dedicated in-house team. The Group has adopted a formal environmental policy, which was reviewed in 2008 and there are 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 a bespoke emergency plan for each operational facility (including the diversion of waste from single or multiple sites in the event of major disruption or disaster affecting a site or region), which are periodically tested for their effectiveness both internally and by external specialists. The Significant Events Response Team ("SERT") is brought together to plan for or deal with any significant events that occur or could potentially occur. WRG's IT systems are outsourced to a specialist IT services company and are covered by a disaster recovery plan, to ensure business continuity. The Group is working on the development of a new business continuity plan under the control of WRG's Integrated Management System that will be designed around the British Standard 25999.
- **The effect of new legislation on other regulatory activities:** The Group monitors forthcoming and current legislation to ensure full compliance and to anticipate and assess the impact upon its operations. Some municipal contracts include provisions that allow the Group to pass through certain increased costs arising as a result of legislative changes that occur during the life of the contract.
- **Litigation:** The Group is subject to litigation from time to time. The outcome of legal action is always uncertain and there is a risk that it may prove more costly and time consuming than expected. There is also a risk that litigation could be instigated in the future that could materially impact the Group. In some liability cases legal expenses are covered by the Group's liability insurance. This risk is mitigated through continued monitoring and employing an experienced and dedicated in-house legal team.

Directors' report and business review (continued)

- **Competitive risk:** The Group operates in highly competitive markets in which competitors may offer services at rates below that of the Group. There is also a risk to the business that new long-term diversion contracts may reduce existing volumes to landfill into the future and that further increases in landfill taxes will act as an incentive on customers to seek alternative treatment. To mitigate this risk the Group ensures that its asset, cost and capital base is regularly reviewed and flexed to meet changes in customers' demands and to maximise cash generation. 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 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 ownership of the Group by FCC enables the Group to draw on wider resources from within the FCC Group.

Results and dividends

The results of the Company for the year ended 31 December 2008 are set out on page 13. The profit for the financial year ended 31 December 2008 amounted to £2,497,000 (2007: £1,252,000). The Company did not pay an interim dividend during the year (2007: £nil) and furthermore the Directors do not propose the payment of a final dividend (2007: £nil). The retained profit of £2,497,000 (2007: £1,252,000) has therefore been transferred to reserves.

Other Financial and Non-Financial Key Performance Indicators (KPIs)

To help deliver the Group's strategy and to assist in managing operational performance of the business, the following KPIs form part of the tools used by management to monitor business 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.

	2008 £000	2007 £000
EBITDAP	1,931	1,789

- **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.

	2008 %	2007 %
ROCE	51.4	136.0

- Both the Company's EBITDAP and ROCE are in line with Directors' expectations.
- WRG's main safety KPI over recent years has been the Reportable Incidence Rate ("RIR") per 100,000 employees for RIDDOR reportable incidents. This includes both major incidents and incidents leading to over three days absence from work; a common KPI in the waste industry. In 2008, WRG achieved a 14% improvement in RIR (2007: 14%) over the prior year (1,254 versus 1,450 in 2007). WRG also achieved its target of a 10% reduction in the number of RIDDORs. Major incident causation factors are the focus for improvement going forward via a campaign of tool box talks, posters and e-learning modules.

- WRG operates an Environmental Management System ("EMS") accredited to the ISO 14001 standard. The key environmental aspects of WRG's activities are identified in WRG's EMS as landfill gas and leachate emissions to surrounding receptors. The KPIs for each of these activities are set at every landfill site and are reported on a monthly basis, both individually and in aggregate. The KPI for landfill gas relates to the proportion of gas migration monitoring points sampled that are compliant and within given limits. The KPI for leachate relates to the proportion of leachate level monitoring points that are compliant.

For landfill gas migration, the average KPI compliance in 2008 was 93.0% (2007: 92.8%).

Leachate monitoring continues in accordance with the Group's permits, although re-issued permits have varied the compliance levels at some sites. The re-issue of permits at some sites is outstanding, and therefore the reliability of the leachate compliance KPI needs to reflect this uncertainty. Based on the consolidation of monitoring data, the comparison between December 2007 and December 2008 shows an improvement in the average compliance of the Group's sites (52.4% in 2008 versus 51.3% in 2007). Taking into consideration the high levels of rainfall in 2008, this result is encouraging. It is anticipated that the progression of the Group leachate strategy and the continuation of capping works should further improve the overall leachate picture in 2009.

During 2008, WRG continued its development of an Integrated Management System ("IMS") that included progress towards registration to ISO9001 for Quality Management and OHSAS18001 for Health and Safety management system procedures. The implementation of an integrated approach to WRG's management systems accommodates its growing needs and demands for the governance of organisational risk and will define the specification of common management standards. The benefits of such an approach often include improved business focus including less conflict between systems, a reduction in duplication and bureaucracy and improved internal and external audit efficiency.

Future trends and developments

The Directors consider that the business of the Group faces some obvious challenges in today's business climate, but have taken steps to reduce costs whilst diverting greater resource to the development of alternative treatment technologies and to the support of new business developments in the municipal sector. The development of the business will be subject to numerous factors and the impact of the European Union Landfill Directive on recycling markets and waste treatment continues to shape the business going forward. The Group plans to continue to work closely with its municipal and trade customers to become their partner of choice in developing long-term sustainable solutions for waste treatment and disposal.

Directors

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

JR Meredith

LJD Cassells

CJ Ellis (appointed 27 June 2008)

SN Hardman (resigned 30 April 2008)

VF Orts-Llopis (appointed 13 March 2008)

M Robinson (resigned 27 June 2008)

Directors' report and business review (*continued*)

Employees

The professionalism and commitment shown by the Group's employees over the last year, during which time many structural and organisational changes have continued to take place, has been a major contribution to its successful operation. The Board would like to thank all employees for their hard work, commitment and loyalty during what has been another challenging and eventful year.

In 2008 there was an average workforce of 1,129 staff (2007: 1,157 staff). The Group's employee turnover of 25.7% for 2008 (2007: 14.1%) was ahead of the national average of 20.4% (2007: 22.9%) reported for the private sector in 2008 (source: CIPD, August 2008). During the year, the Group undertook a restructuring programme and the turnover figure for the year was impacted by these redundancies, however the underlying turnover figure as a result of voluntary leavers for 2008 was 11%. In the year, women represented 19% (2007: 19%) of the workforce and there were 39 (3.4%) women in management roles.

The Group is committed to ensuring that its policies and practices reflect HR best practice for the whole life-cycle of its employment relationship. The Group's policy of equal opportunity gives all employees the same chance to succeed, irrespective of age, race, nationality, ethnic origin, disability, membership of a trade union, sex or marital status. The Group has a structured training and development programme and is fully committed to ensuring that all employees have the necessary skills and knowledge to do their jobs effectively. 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, career development and training of disabled persons.

The Board are dedicated to maintaining the highest standards of honesty, openness and accountability and recognise that employees have an important part to play in achieving this goal. All employees are encouraged to report any concerns they may have over wrongdoing at work via the Group's internal reporting system. In addition, WRG has engaged an independent confidential reporting (whistle blowing) service, should employees feel uncomfortable in approaching management.

WRG conducts an independent and confidential employee survey through an external partner every two years. The survey is used to obtain feedback from employees about working for the Group and the findings are used to respond to areas identified for improvement. The results of the last survey were very positive and told the Company that 90% of employees were proud of the work that they do in WRG and 83% said that working in WRG makes them want to do the best work that they can. The survey is benchmarked against other organisations from a wide range of industry sectors. In a significant number of areas, WRG scored higher positive results than the survey average for the benchmark group.

Training continues to be a high priority for WRG and it recognises that it is vital that its employees have the relevant skills to take up the new and exciting roles that are being created as the industry and therefore the business evolves. 2008 has seen the introduction of a sophisticated training database and learning management system within the Group and WRG has joined the national Train to Gain skills pledge initiative, stating that WRG will use NVQs, where appropriate, as one method of ensuring that its workforce is prepared to meet the robust challenges that lie ahead.

The Directors recognise the importance of communication with employees and members of the Executive management team regularly visit sites and discuss with staff, matters of current interest and concern to the business. In addition, there is a monthly team brief, whereby the Executive report on the month's successes and performance to the entire Group and all employees are given the opportunity to ask questions of the Executive management team. An in-house magazine is also published on a regular basis.

Directors' report and business review (*continued*)

Companies Act 2006

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

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

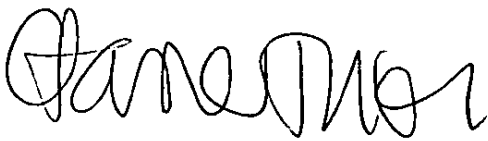
Disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

Pursuant to Section 487 of the Companies Act 2006 (the "Act"), the auditors will be deemed to be reappointed annually by the Company and KPMG LLP will therefore continue in office until further notice.

By order of the board



C Favier-Tilston
Company Secretary

20 April 2009

Statement of Directors' responsibilities in respect of the Directors' report and the financial statements

The Directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial period. 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 WRG Berkshire Limited

We have audited the financial statements of WRG Berkshire Limited for the year ended 31 December 2008 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 10.

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 WRG Berkshire Limited *(continued)*

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG LLP
KPMG LLP
Chartered Accountants
Registered Auditor

27 April 2009

Profit and loss account

Year ended 31 December 2008

	<i>Note</i>	2008 £000	2007 £000
Turnover	2	15,022	10,707
Cost of sales		(12,669)	(8,918)
Gross profit		2,353	1,789
Administrative expenses		(423)	-
Operating profit		1,930	1,789
Interest receivable		30	-
Profit on ordinary activities before taxation	3	1,960	1,789
Tax on profit on ordinary activities	5	537	(537)
Profit for the financial period	10	2,497	1,252

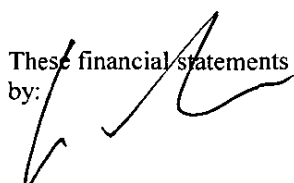
All results are derived from continuing operations.

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

Balance sheet
at 31 December 2008

	<i>Note</i>	2008 £000	2007 £000
Fixed assets			
Tangible assets	6	25	13
Current assets			
Debtors	7	5,487	2,767
Creditors: amounts falling due within one year	8	(2,978)	(1,463)
Net current assets		2,509	1,304
Non current assets			
Cash held on deposit		1,280	-
Net assets		3,814	1,317
Capital and reserves			
Called up share capital	9	-	-
Profit and loss account	10	3,814	1,317
Equity shareholders' funds	11	3,814	1,317

These financial statements were approved by the Board of Directors on 20 April 2009 and were signed on its behalf by:



LJD Cassells
 Director

Notes

(forming part of the financial statements)

1 Accounting policies

These financial statements are prepared in accordance with applicable United Kingdom accounting standards.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Accounting convention

The financial statements are prepared under the historical cost convention.

Cash flow exemption

The Company has taken advantage of the exemption, conferred by Financial Reporting Standard 1 (Revised) from presenting a cash flow statement as it is 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 and discounts allowed.

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.

Leases

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

Post Retirement Benefits

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and the contributions actually paid are shown as either accruals or prepayments in the balance sheet.

2 Turnover

All turnover was generated in the United Kingdom principally from the handling, recycling and disposal of waste materials.

3 Profit on ordinary activities before taxation

	2008 £000	2007 £000
Profit on ordinary activities before taxation is stated after charging		
Operating lease expense	43	89
Depreciation	1	-
	<u>44</u>	<u>89</u>

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

Notes (continued)

4 Information regarding Directors and employees

None of the Directors received any remuneration or other benefits through the Company during the year ended 31 December 2008 or the period ended 31 December 2007. They are all remunerated as Directors or employees of Waste Recycling Group Limited, the Company's immediate parent undertaking.

	2008 £000	2007 £000
Wages and salaries	504	305
Social security costs	54	34
Other pension costs	1	2
	<u>559</u>	<u>341</u>
	No.	No.
The average weekly number of employees (including Directors) in the period:	<u>21</u>	<u>16</u>

5 Tax on profit on ordinary activities

	2008 £000	2007 £000
UK Corporation tax		
United Kingdom corporation tax at 28.5% based on profits for the period	-	537
Adjustments in respect of prior year	(537)	-
	<u>(537)</u>	<u>537</u>

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

	2008 £000	2007 £000
Profit on ordinary activities before tax	<u>1,960</u>	<u>1,789</u>
Tax on profit on ordinary activities at standard rate	558	537
Factors affecting charge:		
Group relief claimed	(558)	-
	<u>-</u>	<u>537</u>

Notes (continued)

6 Tangible fixed assets

	Other freehold property £000	Plant and equipment £000	Total £000
Cost			
At 1 January 2008	13	-	13
Additions	6	7	13
	<hr/>	<hr/>	<hr/>
At 31 December 2008	19	7	26
	<hr/>	<hr/>	<hr/>
Depreciation			
At 1 January 2008	-	-	-
Charge	-	1	1
	<hr/>	<hr/>	<hr/>
At 31 December 2008	-	1	1
	<hr/>	<hr/>	<hr/>
Net Book Value as at 31 December 2008	19	6	25
	<hr/>	<hr/>	<hr/>
Net Book Value as at 31 December 2007	13	-	13
	<hr/>	<hr/>	<hr/>

7 Debtors

	2008 £000	2007 £000
Trade debtors	956	539
Amounts due from group undertakings	4,529	2,228
Prepayments	2	-
	<hr/>	<hr/>
	5,487	2,767
	<hr/>	<hr/>

8 Creditors: amounts falling due within one year

	2008 £000	2007 £000
Trade creditors	1,599	293
Amounts owed to fellow group undertakings	1,250	537
Accruals	129	633
	<hr/>	<hr/>
	2,978	1,463
	<hr/>	<hr/>

Notes (continued)

9 Called up share capital

	2008 £	2007 £
Authorised		
100 ordinary shares of £1 each	100	100
	<hr/>	<hr/>
Called up, allotted and fully paid		
1 ordinary shares of £1 each	1	1
	<hr/>	<hr/>

10 Reserves

	Profit and Loss account £000
At 1 January 2008	1,317
Profit for the year	2,497
	<hr/>
At 31 December 2008	3,814
	<hr/>

11 Reconciliation of movements in shareholders' funds

	2008 £000	2007 £000
Profit for the financial period	2,497	1,252
Opening shareholders' funds	1,317	65
	<hr/>	<hr/>
Closing shareholders' funds	3,814	1,317
	<hr/>	<hr/>

12 Pension contributions

The Company participates in the defined contribution scheme operated by Waste Recycling Group Limited (its parent undertaking) 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 the end of the financial year.

Contributions by the Company to the scheme for the year ended 31 December 2008 amounted to £1,000 (2007: £2,000).

13 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)*

14 Related party transactions

The Directors regard all subsidiaries of Fomento de Construcciones y Contratas, S.A. as being related parties.

In the ordinary course of business, the Company traded with Waste Recycling Group Limited together with its subsidiary undertakings.

In the ordinary course of business, the Company traded with RE3 Limited, a subsidiary undertaking of FCC.

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

15 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.