

Infinis Operations 2
(Formerly Infinis Operations 2 Limited, formerly WRG
Operations 2 Limited)

Directors' report and financial
statements

Registered number 05719062

Draft – 31 December 2006



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Directors' report

The directors present their first directors' report and financial statements for the period ended 31 December 2006

Incorporation and change of name

The company was incorporated on 23 February 2006 as Trushelfco (No 3200) Limited, on 27 March 2006 it was renamed to WRG Operations 2 Limited and on 26 September 2006 it was renamed to Infinis Operations 2 Limited. The Company was re-registered as an unlimited company at Companies House on 26th September 2007, following a resolution of the directors on 25 September 2006.

Principal activities

The principal activity of the company is that of an intermediate holding company within the Infinis Holdings Limited group.

Business review

Following a strategic review the directors of the Infinis Holdings Limited group concluded that the Waste to Energy business should be demerged from the waste disposal business, which duly occurred on 17 May 2006 to allow both businesses to develop in their respective markets. The waste disposal business was then sold to Fomento de Construcciones y Contratas, S A ("FCC"), one of Spain's leading construction and service groups, on 28 September 2006. The remaining Waste to Energy business was re-named Infinis.

During the period prior to the demerger of the Waste to Energy business the Infinis Holdings Limited group underwent a restructuring. The Company was created and acquired by Infinis Acquisitions Plc and Infinis Operations 1 Limited. The Company acquired Waste Recycling Group Limited from Infinis Acquisitions Plc and subsequently disposed of it to FCC.

Proposed dividend

The directors do not recommend the payment of a dividend.

Directors and directors' interests

The directors who held office during the period were as follows:

Ms R C Prior	Appointed 12 April 2006
Mr M D Darragh	Appointed 12 April 2006
Mr J M Bolton	Appointed 12 April 2006, Resigned 27 September 2006
Mr S N Hardman	Appointed 12 April 2006, Resigned 16 July 2006
Ms N F Monr	Appointed 23 February 2006, Resigned 22 March 2006
Ms L J Stoker	Appointed 23 February 2006, Resigned 22 March 2006
Mr A Synnott	Appointed 22 March 2006, Resigned 12 April 2006
Mr J C Twentyman	Appointed 22 March 2006, Resigned 12 April 2006

Directors' report (continued)

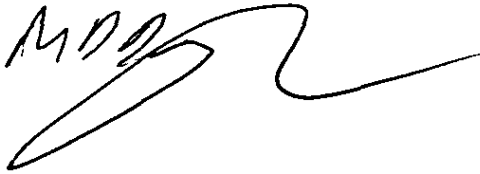
Disclosure of information to auditors

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 they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the Company is to be proposed at the forthcoming Annual General Meeting

By order of the board



28.9.07

[Date]

MD. Darragh
Director

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



KPMG LLP

1 Puddle Dock
London
EC4V 3PD
United Kingdom

Independent auditors' report to the members of Infinis Operations 2

We have audited the financial statements of Infinis Operations 2 for the period ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet, and Movements in Shareholders' Funds 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 3.

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 Infinis Operations 2
(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 period from 23 February 2006 (date of formation of the company) to 31 December 2006,
- 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

WPME ul

28 September 2007

KPMG LLP
Chartered Accountants
Registered Auditor

Profit and loss account

for the 10 month period ended 31 December 2006

	Note	10 month period ended 31 December 2006 £000
Profit on disposal of investment	2	395,316
Interest receivable and similar income	3	21,809
Interest payable and similar charges	3	(11,928)
		<hr/>
Profit on ordinary activities before taxation		405,197
Tax on profit on ordinary activities	4	-
		<hr/>
Profit for the financial period		405,197
		<hr/>

The company has no gains or losses other than those recognised through the profit and loss account for the accounting period

Balance sheet

At 31 December 2006

	Note	2006 £000
Fixed assets		
Investments	5	-
		<hr/>
Current assets		
Debtors	6	1,158,181
		<hr/>
Net assets		1,158,181
		<hr/>
Capital and reserves		
Called up share capital	7	-
Share premium account	8	752,984
Profit and loss account	8	405,197
		<hr/>
Shareholders' funds		1,158,181
		<hr/>

These financial statements were approved by the board of directors on

and were signed on its behalf by

M. Darragh
 Director


 28.9.07

Reconciliation of movements in shareholders' funds
for the 10 month period ended 31 December 2006

	10 month period ended 31 December 2006 £000
Profit for the financial period	405,197
	<hr/>
New share capital subscribed	752,984
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Net addition to shareholders' funds	1,158,181
Opening shareholders' funds	-
	<hr/>
Closing shareholders' funds	1,158,181
	<hr/>

Notes

forming part of the financial statements for the period ended 31 December 2006

1 Accounting policies

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

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules

Under Financial Reporting Standard 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements

The Company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group

- As the Company is a wholly owned subsidiary of Infinis Holdings Limited, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the Group. The consolidated financial statements of Infinis Holdings Limited within which this company is included, can be obtained from First Floor, 500 Pavilion Drive, Northampton Business Park, Northampton, NN4 7YJ

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 for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19 "Deferred Taxation"

Notes

forming part of the financial statements for the period ended 31 December 2006 (continued)

2 Profit on disposal of investment

10 month period ended
 31 December 2006
 £000

Profit on disposal of investment	395,316
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The profit arose on the disposal of Waste Recycling Group Limited on 28 September 2006 to Formento de Construcciones y Contratas for £1 12bn. Waste Recycling Group Limited had been acquired by the company from Infinis Acquisitions Plc (formerly WRG Acquisitions Plc) on 16 May 2006.

3 Interest payable and receivable and similar charges

	2006 £'000
Interest received from related parties	21,809
Other finance costs	(11,928)
Total Finance Income	9,881

Notes

forming part of the financial statements for the period ended 31 December 2006 (continued)

4 Taxation

Analysis of charge in period	2006 £'000
<i>UK corporation tax</i>	
Current tax on income for the period	-
Total current tax	-
<i>Deferred income tax</i>	
Origination/reversal of timing differences	-
Adjustment in respect of previous years	-
	<hr/>
Tax on ordinary activities	-
	<hr/>

Factors affecting the tax charge for the current period

The current tax charge for the period is lower than the standard rate of corporation tax in the UK of 30%. The differences are explained below

	2006 £'000
<i>Current Tax reconciliation</i>	
Profit on Ordinary activities before tax	405,197
	<hr/>
Current Tax at 30%	121,559
<i>Effects of</i>	
Non-taxable profit on sale of subsidiary undertaking	(118,595)
Carry forward of unutilised tax losses	(2,964)
	<hr/>
Total current tax charge (see above)	-
	<hr/>

5 Fixed asset investments

	Shares in group undertaking
<i>Cost</i>	£000
At beginning of year	-
Additions	1,124,984
Return of capital from subsidiary	(400,000)
Disposals	(724,984)
	<hr/>
At end of year	-
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Notes

forming part of the financial statements for the period ended 31 December 2006 (continued)

5 Fixed asset investments (continued)

On 16 May 2006, the Company acquired Waste Recycling Group Limited for £1.125bn. On the 15 September 2006 Waste Recycling Group Limited declared a dividend to of £400,000,000 to the company which was paid on 27 September 2006. This dividend was set off against the carrying value of the investment. Waste Recycling Group Limited was subsequently disposed of, to Formento de Construcciones y Contratas.

6 Debtors

	2006 £000
Amounts owed by group undertakings	1,158,181
	<u>1,158,181</u>

7 Called up share capital

	2006 £
<i>Authorised</i>	
Ordinary shares of £1 each	99,900
	<u>99,900</u>
<i>Allotted, called up and fully paid</i>	
Ordinary shares of £1 each	200
	<u>200</u>
Shares classified as liabilities	-
Shares classified in shareholders' funds	200
	<u>200</u>

Notes

forming part of the financial statements for the period ended 31 December 2006 (continued)

8 Share premium and reserves

	Share premium account	Profit and loss account	Total
	£000	£000	£000
At beginning of period	-	-	-
Profit for the year	-	405,197	405,197
Premium on share issues	1,124,984	-	1,124,984
Capital reduction	(372,000)	-	(372,000)
	<hr/>	<hr/>	<hr/>
At end of year	<u>752,984</u>	<u>405,197</u>	<u>1,158,181</u>

During the year Infinis Acquisitions Limited subscribed for 76% of the share capital of the Company for £854,987,614 and Infinis Operations 1 Limited subscribed for 24 % of the share capital of Infinis Operations 2 for £269,996,088. These transactions created a balance on the share premium accounts of £1,124,983,702. This share premium accounts was reduced by an approved court reduction by £371,999,900 on 17 May 2006.

9 Group reorganisation of waste to energy business

During the year the assets of what is now Infinis Limited were transferred to the Company from Waste Recycling Group Limited and then onto Infinis Limited in exchange for Infinis Limited issuing 24 A ordinary shares to Infinis Acquisitions Limited and 76 A ordinary shares to Infinis Operations 1 Limited, the immediate parent companies of the Company. The value of the assets that were acquired and then transferred was £572,000,000 which reflects the market value of the Infinis Limited assets at the date of transfer. The transfer of assets to Infinis Limited was achieved through a court approved reduction and cancellation of the share premium account totalling £371,999,900 on 17 May 2006.

9 Post Balance sheet event

The Company was re-registered as an unlimited company at Companies House on 26 September 2007, following a resolution of the directors on 25 September 2006.

10 Related Parties

Terra Firma Investments (GP) 2 Limited acting as a general partner of the six limited partnerships which constitute the Terra Firma Capital Partners II LP – H and TFCP II co-Investment ILP ('Terra Firma'), has the ability to exercise a controlling influence through the holding of shares. The Directors therefore consider Terra Firma to be a related party.

Infinis Holdings has the ability to exercise a controlling influence over Infinis Investments Limited and other subsidiary undertakings. Consequently the Directors also consider these subsidiary undertakings to be related parties.

11 Ultimate parent company and parent company of larger group

The Directors regard TFCP Holdings Limited (formerly Terra Firma Capital Partners Holdings Limited) a company registered in Guernsey, as the ultimate controlling partner and ultimate parent entity

There were no transactions between the company and TFCP Holdings Limited during the period

Infinis Acquisitions Plc and Infinis Operations 1 Limited are the immediate parent companies and do not produce consolidated Financial Statements. The head of the largest and smallest group for which consolidated Financial Statements are prepared is Infinis Holdings Limited. The consolidated Financial Statements of this group are available to the public and may be obtained from 500 Pavilion Drive, Northampton Business Park, Northampton, NN4 7YJ.