

WRG (MIDLANDS) LIMITED
(Formerly Shanks Midlands Limited)

Registered Number SC43286

REPORT AND FINANCIAL STATEMENTS

3 MONTHS ENDED 30 JUNE 2004



WRG (MIDLANDS) LIMITED
(Formerly Shanks Midlands Limited)

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WRG (MIDLANDS) LIMITED
(Formerly Shanks Midlands Limited)

DIRECTORS' REPORT

The Directors present their Report and financial statements for the 3 months ended 30 June 2004.

PRINCIPAL ACTIVITIES, BUSINESS REVIEW AND FUTURE PROSPECTS

The principal activity of the Company during the period was the operation of waste collection and disposal services for industry and local authorities.

On 1 July 2004, the Company's immediate parent company, WRG (Management) Limited (formerly Shanks & McEwan (Waste Services) Limited) was sold by Shanks Group plc to WRG Acquisitions 2 Limited (formerly Cholet Acquisitions 2 Limited), a wholly owned subsidiary of WRG Holdings Limited. The Company accordingly amended its Accounting Reference Date to match the date on which ultimate ownership of the Company was transferred. On 19 July 2004 the Company changed its name from Shanks Midlands Limited to WRG (Midlands) Limited.

The Company plans to continue to increase its market share in the waste management sector and will invest in additional landfill void at economic cost and in new geographical areas with growth potential.

TRADING RESULTS AND DIVIDEND

The profit on ordinary activities before taxation for the 3 months ended 30 June 2004 was £223,000 (12 months to 31 March 2004: £2,473,000 loss). The Directors recommend that no dividend be paid in respect of the 3 months ended 30 June 2004 (12 months to 31 March 2004: £Nil). The profit transferred to reserves for the period was £156,000 (12 months to 31 March 2004: £2,246,000 loss).

POST BALANCE SHEET EVENT

On 15th December 2004 the Company was a party to the refinancing of WRG Finance Plc and its subsidiary companies under which it granted security by way of fixed and floating charges over its assets and became a borrower and guarantor under an Amended and Restated Facilities Agreement dated 9th June 2003. In addition, the Company became a Subsidiary Guarantor of Second Lien Floating Rate Notes due 2011 issued by WRG Acquisitions Plc and also 9% Senior Notes due 2014 issued by WRG Finance Plc.

DIRECTORS AND DIRECTORS' INTERESTS

The Directors who held office during the period and up to the date of this report were as follows:

Q R Stewart (appointed 1 July 2004, resigned 25 October 2004)
P W Burns (appointed 1 July 2004, resigned 25 October 2004)
J R Meredith (appointed 1 July 2004)
L J D Cassells (appointed 1 July 2004)
S N Hardman (appointed 16 August 2004)
M C E Averill (resigned 1 July 2004)
D J Downes (resigned 1 July 2004)
M J Clarke (resigned 1 July 2004)

None of the Directors held an interest in the share capital of the Company during the year. The interests of Messrs Meredith, Cassells and Hardman in the share capital of intermediate and ultimate holding companies are disclosed in the accounts of WRG Investments Limited.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the Directors to prepare financial statements for each financial period which 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 those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

EMPLOYMENT POLICIES

There is a continuing commitment in the Company to provide employees with information and undertake consultation on matters of concern to them with a view to ensuring an awareness of the financial and economic factors affecting the performance of the Company. The procedures adopted involve both formal and informal meetings with employees or their representatives.

It is the continuing policy of the Company to provide employment for disabled people and employees who become disabled provided it is practical to offer suitable work. The training, career development and promotion of disabled employees are undertaken whenever possible, in accordance with the needs of the individuals concerned.

NOTE OF CHANGE OF COMPANY SECRETARY

SP Cannon (resigned 30 June 2004)

A Waterhouse (appointed 1 July 2004)

S N Hardman (appointed joint company secretary 14 July 2004, resigned 16 August 2004)

WRG (MIDLANDS) LIMITED
(Formerly Shanks Midlands Limited)
DIRECTORS' REPORT - continued

NOTE OF CHANGE OF REGISTERED OFFICE

On 19 July 2004 the Company's registered office was changed from:

Shanks House
A8 Edinburgh Road
Coatbridge
Lanarkshire
ML5 4UG

To:

Greengairs Landfill
Meikle Drumgray Road
Greengairs
Airdrie
Lanarkshire ML6 7TD

AUDITORS

A resolution to re-appoint PricewaterhouseCoopers LLP as Auditors to the Company will be proposed at the Annual General Meeting.

By Order of the Board



L J D Cassells
DIRECTOR

26th April 2005

Registered Office:
Greengairs Landfill
Meikle Drumgray Road
Greengairs
Airdrie
Lanarkshire ML6 7TD

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WRG (MIDLANDS) LIMITED (Formerly Shanks Midlands Limited)

We have audited the financial statements which comprise the profit and loss account, the balance sheet, and the related notes and the accounting policies set out in the statement of accounting policies.

Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of Directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Directors' report.


Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company at 30 June 2004 and of the profit for the 3 months then ended and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

26th April 2005

WRG (MIDLANDS) LIMITED
(Formerly Shanks Midlands Limited)
PROFIT AND LOSS ACCOUNT
FOR THE 3 MONTHS ENDED 30 JUNE 2004

	<u>Note</u>	3 months to 30 June 2004 £'000	12 months to 31 March 2004 £'000
TURNOVER - CONTINUING ACTIVITIES	2	4,305	15,643
Cost of sales		(3,753)	(15,796)
		<hr/>	<hr/>
GROSS PROFIT/(LOSS)		552	(153)
Administrative expenses		(220)	(497)
		<hr/>	<hr/>
OPERATING PROFIT/(LOSS) ON CONTINUING ACTIVITIES		332	(650)
Exceptional loss on disposal of fixed assets	3	-	(1,519)
		<hr/>	<hr/>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE FINANCE CHARGES AND TAX		332	(2,169)
Finance costs - unwind of discount	6	(109)	(304)
		<hr/>	<hr/>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAX	3	223	(2,473)
Tax	7	(67)	227
		<hr/>	<hr/>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAX AND RETAINED PROFIT/ (LOSS) FOR THE FINANCIAL PERIOD	14	156	(2,246)
		<hr/> <hr/>	<hr/> <hr/>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE 3 MONTHS ENDED 30 JUNE 2004

The Company has no recognised gains or losses other than the profit/(loss) for the period.

NOTE OF HISTORICAL COST PROFITS AND LOSSES
FOR THE 3 MONTHS ENDED 30 JUNE 2004

There is no material difference between the reported profit/(loss) for the period and that which would be reported under the historical cost convention.

WRG (MIDLANDS) LIMITED
(Formerly Shanks Midlands Limited)
BALANCE SHEET
AS AT 30 JUNE 2004

	<u>Note</u>	30 June <u>2004</u> £'000	31 March <u>2004</u> £'000
FIXED ASSETS			
Tangible fixed assets	8	9,350	9,559
CURRENT ASSETS			
Debtors	9	387	229
CREDITORS: amounts falling due within one year	10	(420)	(1,068)
NET CURRENT LIABILITIES		(33)	(839)
TOTAL ASSETS LESS CURRENT LIABILITIES		9,317	8,720
PROVISIONS FOR LIABILITIES AND CHARGES	11	(9,427)	(8,986)
TOTAL NET LIABILITIES		(110)	(266)
CAPITAL AND RESERVES			
Share capital	13	100	100
Revaluation reserve	14	37	37
Profit and loss account	14	(247)	(403)
TOTAL EQUITY SHAREHOLDERS' FUNDS	15	(110)	(266)

Approved by the Board of Directors on 26th April 2005.


L J D Cassells
Director

WRG (MIDLANDS) LIMITED
(Formerly Shanks Midlands Limited)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 3 MONTHS ENDED 30 JUNE 2004

1 ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable UK Accounting Standards.

(b) New accounting standards and changes in accounting policies.

There were no changes in accounting policies in the current period.

FRS 17 - Retirement Benefits is applicable to the Company. The Company has applied the transitional arrangements for adoption of the FRS. Accordingly no change has been made to the accounting policy but included in these financial statements are the additional disclosures required by FRS 17 (see Note 18).

(c) Turnover

Turnover represents the invoiced value of waste streams, power generated, and other services provided including landfill tax but excluding value added tax. Turnover is recognised when processing occurs or the service is provided.

(d) Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation, except for freehold land which is not depreciated, and less any write down for impairment.

(i) Land & Buildings and Plant & Machinery

Depreciation is provided on assets other than land to write off their cost by equal annual instalments over their estimated useful economic lives. The expected lives are:

Buildings	50 years
Plant & machinery	3 to 10 years

(ii) Landfill

Acquisition costs, the discounted cost of final site restoration and commissioning costs are capitalised and written off over the operational life of each site based on the amount of void space consumed.

(iii) Capitalisation of finance costs

Finance costs directly attributable to separately identifiable major capital growth projects have been capitalised as part of the asset cost during the period of construction.

(e) Research and development

Expenditure is written off in the year in which it is incurred.

WRG (MIDLANDS) LIMITED
(Formerly Shanks Midlands Limited)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 3 MONTHS ENDED 30 JUNE 2004 - continued

1 ACCOUNTING POLICIES - continued

(f) Pensions

The cost of providing retirement pensions and related benefits is charged to the profit and loss account over the expected working lives of the pension scheme members currently in service. Any differences between the actuarial valuation of the scheme and the value of assets in the scheme are also charged or credited to the profit and loss account over the expected working lives of the scheme members. Differences and payments to the schemes are treated as assets or liabilities in the balance sheet.

(g) Leased assets

Where the Company has substantially all the risks and rewards of ownership of a leased asset, it is treated as a finance lease. Leased assets are included in tangible fixed assets at the total of the capital elements of payments during the lease term and the corresponding obligation is included in creditors. Depreciation is provided to write off the assets over the shorter of the lease term or expected useful life.

Rentals paid under operating leases are charged to the profit and loss account as incurred over the term of the lease.

(h) Site restoration provision

Full provision is made for the net present value (NPV) of the Company's unavoidable costs in relation to restoration liabilities at its landfill sites and this value is capitalised as a fixed asset. In addition the Company continues to provide for the NPV of intermediate restoration costs over the life of its landfill sites, based on the quantity of waste deposited in the period.

(i) Aftercare provision

Provision is made for the NPV of post closure costs based on the quantity of waste deposited in the period. Similar costs incurred during the operational life of the sites are written off directly to the profit and loss account and not charged to the provision.

(j) Discounting

All long term provisions for restoration and aftercare are calculated based on the NPV of the estimated future costs. The effects of inflation and unwinding of the discount element on existing provisions are reflected within the financial statements as a finance charge. The real discount factor currently applied is 2%.

(k) Government grants

Capital grants are released to profit evenly over the estimated useful lives of the assets concerned.

(l) Stocks

Stocks are stated at the lower of cost (on a first in first out basis) and net realisable value.

(m) Deferred taxation

Deferred taxation is provided in full in respect of timing differences arising between the treatment of certain items for taxation and accounting purposes. Deferred tax assets in respect of trading tax losses are only recognised where the tax losses are expected to be recovered. Deferred taxation provisions have not been discounted.

WRG (MIDLANDS) LIMITED
(Formerly Shanks Midlands Limited)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 3 MONTHS ENDED 30 JUNE 2004 - continued

2 SEGMENTAL INFORMATION

The turnover and operating profit are wholly attributable to the Company's business of waste management in the United Kingdom. All of the Company's business, turnover and operating profit relates to continuing operations during the financial period.

3 PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAX

The operating profit/(loss) is stated after charging/(crediting):

	3 months to 30 June 2004 £'000	12 months to 31 March 2004 £'000
Depreciation of owned tangible fixed assets	388	1,537
Loss on disposal of fixed assets	-	337
Hire of plant and machinery held under operating leases	170	1,165
Property rent payable	4	14
	<u> </u>	<u> </u>

The profit/(loss) before tax is stated after charging the following non-operating items:

Exceptional loss on disposal of fixed assets	-	1,519
	<u> </u>	<u> </u>

The auditors' remuneration for the period has been borne by a fellow group subsidiary.

The exceptional loss on disposal of fixed assets in the 12 months to 31 March 2004 of £1,519,000 relates to the disposal to a fellow Group company of the collections and recycling business. This loss is stated after charging £1,529,000 in respect of Goodwill previously written off directly to reserves in prior years. There is no tax attributable to this loss.

4 DIRECTORS' EMOLUMENTS

The Directors were not remunerated for their services to the Company. The salaries of the Directors were paid by other group undertakings. None of this remuneration relates to their services to the Company.

WRG (MIDLANDS) LIMITED
(Formerly Shanks Midlands Limited)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 3 MONTHS ENDED 30 JUNE 2004 - continued

5 EMPLOYEES

The average number of employees employed by the Company during the period was 24 (12 months to 31 March 2004: 94). They all work in Waste Management. The total remuneration of employees comprised:

	3 months to 30 June 2004 £'000	12 months to 31 March 2004 £'000
Wages and salaries	184	2,399
Social security costs	13	219
Other pension costs	15	238
	<hr/>	<hr/>
	212	2,856
	<hr/>	<hr/>

6 FINANCE COSTS

The unwinding of the discount of £109,000 (12 months to 31 March 2004: £304,000) relates to long term landfill liabilities (see Note 11). It is treated as a finance cost in accordance with FRS 12.

7 TAXATION

Tax charge/(credit) based on the profit/(loss) of the period is made up as follows:

	3 months to 30 June 2004 £'000	12 months to 31 March 2004 £'000
Corporation tax at 30% (12 months to 31 March 2004: 30%)		
- current period	225	(345)
- prior year	-	(122)
Deferred tax		
- current period	(158)	150
- prior year	-	90
	<hr/>	<hr/>
	67	(227)
	<hr/>	<hr/>

WRG (MIDLANDS) LIMITED
(Formerly Shanks Midlands Limited)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 3 MONTHS ENDED 30 JUNE 2004 - continued

7 TAXATION - continued

The tax assessed for the period is higher than the United Kingdom standard rate of corporation tax of 30% (12 months to 31 March 2004: 30%). The differences are explained below:

	3 months to 30 June 2004 £'000	12 months to 31 March 2004 £'000
Profit/(loss) on ordinary activities before tax	223	(2,473)
Tax charge/(credit) based on UK tax rate	67	(742)
Tax effect of the following items:		
Expenses not deductible for tax purposes	-	91
Other timing differences	132	14
Capital allowances	26	(164)
Adjustment to tax charge in respect of prior periods	-	(122)
Non-taxable loss from disposal of fixed assets to fellow group companies	-	456
Corporation tax charge/(credit) for the period	225	(467)

WRG (MIDLANDS) LIMITED
(Formerly Shanks Midlands Limited)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 3 MONTHS ENDED 30 JUNE 2004 - continued

8 TANGIBLE FIXED ASSETS

	<u>Land and buildings</u> £'000	<u>Landfill sites</u> £'000	<u>Plant and machinery</u> £'000	<u>Total</u> £'000
Cost:				
At 31 March 2004	595	19,178	3,284	23,057
Additions	-	153	26	179
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2004	595	19,331	3,310	23,236
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation:				
At 31 March 2004	220	10,612	2,666	13,498
Charge for the period	10	279	99	388
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2004	230	10,891	2,765	13,886
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value:				
At 30 June 2004	365	8,440	545	9,350
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2004	375	8,566	618	9,559
	<hr/>	<hr/>	<hr/>	<hr/>

Included in tangible fixed assets are assets under construction with a value of £66,811 (31 March 2004: £88,726).

The net book value of land and buildings and landfill sites comprises:

	<u>Land and buildings</u>		<u>Landfill sites</u>	
	30 June 2004 £'000	31 March 2004 £'000	30 June 2004 £'000	31 March 2004 £'000
Freehold	344	351	6,102	6,100
Short leasehold	21	24	2,338	2,466
	<hr/>	<hr/>	<hr/>	<hr/>
	365	375	8,440	8,566
	<hr/>	<hr/>	<hr/>	<hr/>

WRG (MIDLANDS) LIMITED
(Formerly Shanks Midlands Limited)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 3 MONTHS ENDED 30 JUNE 2004 - continued

9 DEBTORS	30 June 2004 £'000	31 March 2004 £'000
Deferred tax asset (see Note 12)	387	229

10 CREDITORS: Amounts falling due within one year

	30 June 2004 £'000	31 March 2004 £'000
Amount owed to group undertakings	420	1,068

11 PROVISIONS FOR LIABILITIES AND CHARGES

	Site restoration £'000	Aftercare £'000	Total £'000
At 31 March 2004	3,907	5,079	8,986
Provided in the period			
- cost of sales	59	286	345
- finance charge	46	63	109
Utilised in the period	(13)	-	(13)
At 30 June 2004	3,999	5,428	9,427

WRG (MIDLANDS) LIMITED
(Formerly Shanks Midlands Limited)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 3 MONTHS ENDED 30 JUNE 2004 - continued

11 PROVISIONS FOR LIABILITIES AND CHARGES - continued

Site Restoration

Site Restoration provision relates to the cost of intermediate and final capping and covering of landfill sites. These costs are expected to be paid over a period of up to twenty five years from today. These costs may be impacted by a number of factors including changes in legislation and technology.

Aftercare

The total post closure costs of landfill sites, including such items as monitoring, gas and leachate management and licensing, have been estimated by management based on current best practice and technology available. These costs may be impacted by a number of factors including changes in legislation and improvements in technology. The dates of payments of these aftercare costs are uncertain but are anticipated to be over a period of approximately thirty years from closure of the relevant landfill site.

12 DEFERRED TAX ASSET

Deferred
taxation
£'000

At 1 April 2004	229
Credit for the period	158
	<hr/>
At 30 June 2004	387
	<hr/> <hr/>

The deferred tax asset is made up as follows:

	30 June 2004 £'000	31 March 2004 £'000
Capital allowances	(371)	(397)
Other timing differences	758	626
	<hr/>	<hr/>
	387	229
	<hr/> <hr/>	<hr/> <hr/>

13 SHARE CAPITAL

	30 June 2004 £'000	31 March 2004 £'000
Authorised, allotted, called up and fully paid: 100,000 Ordinary shares of £1 each	100	100
	<hr/> <hr/>	<hr/> <hr/>

WRG (MIDLANDS) LIMITED
(Formerly Shanks Midlands Limited)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 3 MONTHS ENDED 30 JUNE 2004 - continued

14 RESERVES

	Revaluation reserve £'000	Profit and loss account £'000
At 31 March 2004	37	(403)
Retained profit for the period	-	156
	<hr/>	<hr/>
At 30 June 2004	37	(247)
	<hr/> <hr/>	<hr/> <hr/>

15 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	30 June 2004 £'000	31 March 2004 £'000
Profit/(loss) for the financial period	156	(2,246)
Goodwill previously written off to reserves, now resurrected and written off in the profit and loss account for the period	-	1,529
	<hr/>	<hr/>
Net movement in equity shareholders' funds	156	(717)
Opening equity shareholders' funds	(266)	451
	<hr/>	<hr/>
Closing equity shareholders' funds	(110)	(266)
	<hr/> <hr/>	<hr/> <hr/>

16 CAPITAL COMMITMENTS

The approximate amount of capital expenditure authorised by the Directors for which no provision has been made in the financial statements is:-

	30 June 2004 £'000	31 March 2004 £'000
Expenditure contracted for	132	32
	<hr/> <hr/>	<hr/> <hr/>

WRG (MIDLANDS) LIMITED
(Formerly Shanks Midlands Limited)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 3 MONTHS ENDED 30 JUNE 2004 - continued

17 COMMITMENTS UNDER OPERATING LEASES

The annual commitments under operating leases are as follows:-

	30 June <u>2004</u> £'000	31 March <u>2004</u> £'000
Leases expiring:		
Between two and five years	23	23
Over five years	4	4
	<hr/>	<hr/>
	27	27
	<hr/>	<hr/>

18 PENSIONS

The Company participates in the defined contribution schemes operated by Waste Recycling Group Limited on behalf of their eligible employees. The assets of these schemes are held separately from those of the Company in independently administered funds.

Prior to acquisition by WRG Acquisitions 2 Limited, the employees of the Company participated in the Shanks Group Pension Scheme, which is a funded, managed, defined benefit scheme, the costs of which are fully provided in accordance with the regular recommendations of a professionally qualified independent actuary. The Company is unable to identify the share of the underlying assets and liabilities of the Shanks Group scheme that relates to its business and is permitted under FRS 17 to treat this scheme as a defined contributions scheme. Full disclosures relating to the Shanks Group's pension schemes are contained in the financial statements of Shanks Group plc.

WRG (MIDLANDS) LIMITED
(Formerly Shanks Midlands Limited)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE 3 MONTHS ENDED 30 JUNE 2004 – continued

19 CONTINGENT LIABILITIES

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

The Company is a member of group VAT registration and as such has contingent liabilities for VAT in respect of other members of the Group.

20 RELATED PARTY TRANSACTIONS

As permitted by FRS8, the Company, being a wholly owned subsidiary of another company which prepares a statement of related party transactions including that of this Company, has not prepared such a statement itself.

21 CASH FLOW STATEMENT

As permitted by paragraph 8(c) of FRS1 (revised 1996), the Company, being a wholly owned subsidiary of another company which prepares a cash flow statement has not prepared such a statement itself.

22 IMMEDIATE & ULTIMATE PARENT COMPANY

The Company's immediate parent company, WRG (Management) Limited (formerly Shanks & McEwan (Waste Services) Limited) was acquired by WRG Acquisitions 2 Limited (previously Cholet Acquisitions 2 Limited), a subsidiary of WRG Holdings Limited (previously Cholet Holdings Limited) on 1 July 2004. WRG Holdings Limited is the parent company of the largest group of which the Company is a member and for which group accounts are drawn up. Copies of WRG Holdings Limited financial statements are available from the Company Secretary, Ground Floor West, 900 Pavilion Drive, Northampton Business Park, Northampton, NN4 7RG.

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