Registered Number 2630920

VIRIDOR WASTE (BRISTOL) LIMITED

ANNUAL REPORT
AND
FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 MARCH 2007

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VIRIDOR WASTE (BRISTOL) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

for the year ended 31 March 2007

CONTENTS

DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended 31 March 2007

PRINCIPAL ACTIVITIES

The Company's principal activity during the year continued to be waste collection, materials recycling, specialist wastes and remediation of contaminated sites

BUSINESS REVIEW

Financial Results

All numbers in this Annual Report are published for the first time in accordance with International Financial Reporting Standards (IFRS) with prior year figures restated The principal differences between UK Generally Accepted Accounting Principles (UK GAAP) and IFRS are shown in note 30 of the notes to the financial statements

Revenue fell by £2,622,000 to £8,143,000 mainly due to the transfer of part of the trade to Viridor Waste Management Limited, a fellow subsidiary The Company's profitability improved as a result of this strategic shift with operating profit at £76,000, £235,000 ahead of last year

Net interest received was £2,000 (2006 £8,000)

The Company's taxation position results in a charge to mainstream corporation tax of £42,000 and to deferred tax of £81,000 (2006 total credit £9,000)

Investment

The Company is continually investing to ensure it has an efficient fleet and facilities Capital expenditure in the year was £315,000 ahead of 2006, once the effect of the business transfer to Viridor Waste Management Limited is adjusted for

Financing

Net borrowings were reduced in the year to £1,125,000 (2006 £1,489,000)

Significant funding facilities are in place to cover both medium and long-term requirements, including finance leasing and loans from the ultimate parent undertaking and fellow subsidiaries

The Directors confirm that the Company can meet its short-term requirements from existing facilities without breaching covenants or other borrowing restrictions

Dividends and reserves

The Company paid no dividends in the year (2006 nil) The loss for the year increased the retained deficit by £45,000 (2006 £142,000)

Principal risks and uncertainties

The following are identified as the principal risks and uncertainties facing the Company

- Environmental regulations could increase the Company's costs and affect profitability
- Increased competition could prevent full recovery of increased landfill costs, affecting profitability
- The Company may be unable to recruit and retain adequate numbers of staff with the necessary skills
- Competitive pressure may reduce margins on contracts, affecting profitability
- The current planning regime may restrict the availability of future waste treatment facilities

The Directors have established a formal framework for the identification and monitoring of both operational and financial risks arising from the Company's activities The effectiveness of this framework is regularly reviewed by the Board

DIRECTORS' REPORT (Continued)

BUSINESS REVIEW (continued)

Key Performance Indicators ("KPIs")

The principal KPIs used by the Directors to assess the performance and position of the business of the Company are as follows

Growth in revenue

The Directors monitor the development of the business by assessing the growth in revenue vehicle utilisation and individual contract performance The Company's sales reduced by £2,622,000 (24%) from the year ended 31 March 2006 but, as stated above, this was mainly due to the transfer of trade to Viridor Waste Management Ltd

Operating profit and profit before taxation (PBT)

Operating profit and PBT are key measures of the Company's performance The Company's operating profit of £76,000 for the year ended 31 March 2007, was £235,000 above the previous year The profit before tax of £78,000 was £229,000 ahead

Employees

The Company has no employees Services provided by the Company were undertaken by employees of Viridor Waste Management Limited, a fellow subsidiary undertaking of Viridor Waste Limited and policies relating to the training and development and involvement in the affairs, policy and performance of the Company can be found in that company's report and accounts

Environment

The Company recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by its activities The Company is subject to significant regulation and must comply with the high standards set by the Environment Agency The Pennon Group has a long established environmental policy, as set out in its annual Corporate Responsibility Report, which does not form part of this Report

Payments to suppliers

It is the Company's payment policy for the year ending 31 March 2008 to follow the Code of The Better Payment Practice Group on supplier payments The Company will agree payment terms with individual suppliers in advance and abide by such terms Information about the Code may be obtained from The Better Payment Practice Group's website at www payontime co uk Trade creditors at 31 March 2007 represented 22 days of the amount invoiced by suppliers during the year

Future developments

The geographic location of the Company's sites and difficulty in achieving planning consents for competing new sites provides the Company with strong competitive advantage, despite the anticipated long-term decline in future landfill volumes arising from diversion of municipal waste Increased dividend income from acquisitions and recycling facilities together with rationalisation within the group will lead to an improvement in future earning streams

DONATIONS

No charitable or political donations were made during the year

RESEARCH AND DEVELOPMENT

The development and testing of innovative techniques and processes will continue to play a role in the further improvement of cost effective provision of services

DIRECTORS' REPORT (Continued)

DIRECTORS

The Directors who served on the Board during the year were

M Hellings
D B Robertson
B S Hurley
J R Cardwell (Resigned 31 October 2006)

None of the Directors held any beneficial interest in the shares of the Company during the year

No Director has, or has had, a material interest, directly or indirectly, at any time during the year under review in any contract significant to the Company's business

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

a) So far as each of the Directors is aware, there is no relevant audit information of which the Company's auditors are unaware, and

b) Each of the Directors has taken all the steps they ought to have taken individually as a director in order 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 386 of the Companies Act 1985, the Company passed an elective resolution on 31 December 2003, whereby it dispensed with the obligation to appoint auditors annually PricewaterhouseCoopers LLP have indicated their willingness to continue as auditors

ANNUAL GENERAL MEETING

In accordance with Sections 252 and 366A of the Companies Act 1985, the Company passed elective resolutions on 31 December 2003, whereby it elected to dispense with the laying of accounts and reports before the Company in general meeting, and to dispense with the holding of annual general meetings

By Order of the Board

C P Richards
Secretary

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DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Annual 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 the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union 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 the year

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 that the financial statements comply with IFRS as adopted by the European Union, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary

The Directors confirm that they have complied with the above requirements in preparing the financial statements

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 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

By Order of the Board

C P Richards
Secretary

15\1\2008

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF VIRIDOR WASTE (BRISTOL) LIMITED

We have audited the financial statements of Viridor Waste (Bristol) Limited for the year ended 31 March 2007 which comprise the income statement, the balance sheet, the cash flow statement, and the related notes These financial statements have been prepared under the accounting policies set out therein

Respective responsibilities of directors and auditors
The Directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union are set out in the Directors' Responsibilities Statement

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) 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 whether the financial statements have been 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

Opinion
In our opinion

- the financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of the Company's affairs as at 31 March 2007 and of its loss and cash flows 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

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
31 Great George Street
Bristol
BS1 5QD

15th January 2008

Income statement for the year ended 31 March 2007

	Notes	**2007 £000**	2006 £000
Revenue	5	**8,143**	10,765
Operating costs	6		
Manpower costs		**(1,478)**	(1,879)
Raw materials and consumables used		**(939)**	(1,220)
Other operating expenses		**(5,056)**	(7,030)
Depreciation		**(594)**	(795)
Operating profit/(loss)		**76**	(159)
Interest payable and similar charges	7	**(15)**	(15)
Interest receivable	7	**17**	23
Profit/(loss) before tax		**78**	(151)
Tax on ordinary activities	8	**(123)**	9
Loss for the year		**(45)**	(142)
Loss attributable to equity shareholders		**(45)**	(142)

All operating activities are continuing operations

There was no recognised income or expense other than the loss for the year

The notes on pages 9 to 22 form part of these financial statements

Balance sheet at 31 March 2007

	Notes	2007	2006
		£000	£000
Assets			
Non-current assets			
Property, plant and equipment	11	**4,450**	4,798
Investment in subsidiary undertakings	12	**-**	-
		4,450	4,798
Current assets			
Inventories	13	**28**	19
Trade and other receivables	14	**1,043**	1,265
Cash and cash equivalents	15	**555**	261
		1,626	1,545
Liabilities			
Current liabilities			
Borrowings	18	**(1,559)**	(411)
Trade and other payables	16	**(2,504)**	(2,806)
Current tax liabilities	17	**(98)**	(28)
		(4,161)	(3,245)
Net current liabilities		**(2,535)**	(1,700)
Non-current liabilities			
Borrowings	18	**(121)**	(1,340)
Deferred tax liabilities	19	**(168)**	(87)
Provisions for liabilities and charges	20	**(212)**	(212)
		(501)	(1,639)
Net assets		**1,414**	1,459
Shareholders' equity			
Share capital	21	**2,047**	2,047
Retained deficit	22	**(633)**	(588)
Total shareholders' equity		**1,414**	1,459

The notes on pages 9 to 22 form part of these financial statements

The financial statements on pages 6 to 22 were approved by the Board of Directors on 15 January 2008 and were signed on its behalf by

D B Robertson
Director

Cash flow statement for the year ended 31 March 2007

	Notes	2007 £000	2006 £000
Cash flows from operating activities			
Cash generated from operations	23	**569**	924
Interest paid		**(1)**	(11)
Tax received/(paid)		**28**	(17)
Net cash generated/(outflow) from operating activities		**596**	896
Cash flows from investing activities			
Interest received		**3**	19
Purchase of property, plant and equipment		**(315)**	(412)
Proceeds from sale of property, plant and equipment		**81**	1,174
Net cash (used in)/from investing activities		**(231)**	781
Cash flows from financing activities			
Net proceeds from/(repayment of)borrowings		**86**	(1,620)
Finance lease principal repayments		**(157)**	(292)
Net cash outflow from financing activities		**(71)**	(1,912)
Net increase/(decrease) in cash and cash equivalents		**294**	(235)
Cash and cash equivalents at beginning of the year		**261**	496
Cash and cash equivalents at end of the year	15	**555**	261

The notes on pages 9 to 22 form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

1 General information

Viridor Waste (Bristol) Limited is a company incorporated in the United Kingdom under the Companies Act 1985 The address of the registered office is Peninsula House, Rydon Lane, Exeter, EX2 7HR The nature of the Company's operations and its principal activities are set out in the Directors' report on pages 1 to 3

These financial statements were approved by the Board of Directors on 15 January 2008

2 Significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below These policies have been consistently applied to all the years presented unless otherwise stated

(a) Basis of preparation

These are the first financial statements to have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union The disclosures required by IFRS 1 "First-time adoption of IFRS" concerning the transition from UK Generally Accepted Accounting Principles (UK GAAP) to IFRS are set out in note 30

These financial statements have been prepared under the historical cost convention in accordance with IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations, as adopted by the European Union, with those parts of the Companies Act 1985 applicable to companies reporting under IFRS A summary of the main accounting policies is set out below, together with an explanation of where changes have been made to previous policies on the adoption of new accounting standards in the year

At the date of approval of these financial statements the following standards and interpretations which have not been applied in these financial statements were in issue, but not yet effective

IFRS 7 "Financial instruments disclosures" and the related amendments to IAS 1 "Presentation of Financial Statements" on capital disclosures
IFRS 8 "Operating segments "
IFRIC 8 "Scope of IFRS 2 "
IFRIC 9 "Reassessment of embedded derivatives "
IFRIC 10 "Interim financial reporting and impairment "
IFRIC 11 "IFRS 2 Group and treasury share transactions "
IFRIC 12 "Service concession arrangements "

The Directors expect the adoption of these standards and interpretations in future periods will have no material impact on the financial statements of the Company Additional disclosures on capital and financial instruments will be made when the relevant standards come into effect for periods commencing on or after 1 January 2007 The presentational impact of IFRIC 12 is being assessed

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period Although these estimates are based on management's best assessment of the amounts, events or actions, actual results ultimately may differ from those estimates

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 **Significant accounting policies (continued)**

(b) First time adoption of IFRS

The Company's date of transition to IFRS was 1 April 2005 and all comparative information in the financial statements has been restated to reflect the Company's adoption of IFRS, except where otherwise required or permitted by IFRS 1 "First Time Adoption of International Financial Reporting Standards"

IFRS 1 requires an entity to comply with each IFRS effective at the reporting date for its first IFRS financial statements As a general principle IFRS 1 requires the standards effective at the reporting date to be applied retrospectively

(c) Revenue recognition

Revenue represents the fair value of consideration receivable, excluding value added tax and trade discounts, in the ordinary course of business for goods and services provided

Revenue is not recognised until the service has been provided to the customer, or the goods which the sale relates to have been despatched to the customer

(d) Segmental reporting

The Company operates within a single segment, comprising the collection, recycling and disposal of waste and the provision of waste management services under contract

(e) Property, plant and equipment

Property, plant and equipment are included at cost less accumulated depreciation

Freehold land is not depreciated Other assets are depreciated evenly over their estimated economic lives to their residual value, which are principally as follows

Buildings	30 - 50 years
Fixed plant, machinery and equipment	5 - 10 years
Office equipment	3 - 10 years
Vehicles, mobile plant and computers	3 - 15 years

Assets in the course of construction are not depreciated until commissioned

Asset lives and residual values are reviewed annually

(f) Leased assets

Assets held under finance leases are included in the balance sheet as property, plant and equipment at their equivalent capital value and are depreciated over their estimated economic lives or the finance lease period, whichever is the shorter The corresponding liability is recorded as borrowings The interest element of the rental costs is charged against profits using the actuarial method over the period of the lease

Rental costs arising under operating leases are charged against profits in the year they are incurred

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 **Significant accounting policies (continued)**

(g) Impairment of assets

The Company assesses at the balance sheet date whether an asset should be impaired If any indication exists, the asset is tested for impairment by estimating the recoverable amount If the recoverable amount is less than the carrying value of the asset an impairment loss is required

Impairments are charged to the income statement in the year in which they arise

(h) Inventories

Inventories and work in progress is stated at the lower of cost and net realisable value Cost includes labour, materials and attributable overheads

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, short-term deposits held at banks and other short-term highly liquid deposits subject to insignificant risk of changes in value Bank overdrafts are shown within current borrowings

(j) Derivatives and other financial instruments

The Company has classified its financial instruments in the following categories

i) *Loans and receivables*

All loans and borrowings are initially recognised at cost, being the net fair value of the consideration received Following initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date

ii) *Derivative financial instruments*

The Company does not use derivative financial instruments

iii) *Trade receivables*

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts and the impact of discounting

iv) *Trade payables*

Trade payables are not interest bearing and are stated at their nominal value

(k) Taxation including deferred tax

Tax payable for the year is provided at current rates that are substantively enacted Deferred taxation is provided in full, using the liability method, on temporary differences between the tax basis of assets and liabilities and their carrying amounts in the financial statements A deferred tax asset is only recognised to the extent it is probable that sufficient taxable profits will be available in the future for it to be utilised

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 **Significant accounting policies (continued)**

(l) Provisions for liabilities and charges

Provisions are made where there is a present legal or constructive obligation as a result of a past event and it is probable that there will be an outflow of economic benefits to settle this obligation and a reliable estimate of this amount can be made

(m) Share capital

Ordinary shares are classified as equity

(n) Dividend distributions

Dividend distributions are recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders Interim dividends are recognised when paid, final dividends when authorised in general meeting by shareholders

(o) Employee benefits

i) *Retirement benefit obligations*

The company participates in a defined contribution scheme operated by the ultimate parent, Pennon Group Plc Costs of the scheme are included in the employment cost recharge from Viridor Waste Management Ltd as all employees are contracted to that company

Costs of the defined contribution scheme are charged to the income statement in the period in which they arise and are a constituent of the employment recharge from Viridor Waste Management Limited, to whom all employees are contracted

ii) *Share-based payment*

Pennon Group Plc operates a number of equity settled, share based payment plans for its employees Costs of the schemes are not recharged to the company by Viridor Waste Management Ltd with whom all employees are contracted Required disclosures have been made within the accounts of Viridor Waste Management Ltd

(p) Pre-contract costs

Pre-contract costs are expensed as incurred, except where it is virtually certain that the contract will be awarded, in which case they are recognised as an asset which is amortised to the income statement over the life of the contract

(q) Fair values

The fair values of short-term deposits, loans and overdrafts with a maturity of less than one year are assumed to approximate to their book values In the case of parent company loans and other loans due in more than one year the fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Company for similar financial instruments

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 Financial risk management

The Company receives treasury services from the treasury function of Pennon Group Plc, the ultimate parent company, which seeks to ensure that sufficient funding is available to meet foreseeable needs, maintains reasonable headroom for contingencies and manages interest rate risk

Treasury operations are managed in accordance with policies established by the Pennon Group Plc Board Major transactions are individually approved by that Board Treasury activities are reported to that Board and are subject to review by internal audit

Financial instruments are used to raise finance and to manage risk The Company does not engage in speculative activity

The principal financial risks faced by the Company relate to interest rate and counterparty risk

i) *Interest rate risk*

The Company has both interest bearing assets and interest bearing liabilities Borrowings, are primarily from Group companies, unsecured and with interest charged at Barclays Bank base rate plus 1% or at a fixed rate determined at the start of the loan

ii) *Counterparty risk management*

Counterparty risk arises from the investment of surplus funds which are pooled with certain other Pennon Group companies Surplus funds of the Company are usually placed in short-term fixed interest deposits or the overnight money markets All deposits are with counterparties that have a credit rating threshold approved by the Board of Pennon Group Plc

iii) *Liquidity risk*

Responsibility for managing the funding requirements of the Company is undertaken by Pennon Group Plc

iv) *Refinancing risk management*

Responsibility for managing refinancing on behalf of the Company is undertaken by Pennon Group Plc

4 Critical accounting judgements

The Company's principal accounting policies are set out in note 2 to these financial statements Management is required to exercise significant judgement and make use of estimates and assumptions in the application of these policies

Areas which management believes require the most critical accounting judgements are

Carrying value of property, plant and equipment

The Company's accounting policy for property, plant and equipment is detailed in note 2 of the financial statements The carrying value of property, plant and equipment as at 31 March 2007 was £4,450,000 In the year ended 31 March 2007 additions to property, plant and equipment totalled £315,000 and the depreciation charge was £594,000 The estimated useful economic lives of property, plant and equipment are based on management's judgement and experience When management identifies that actual useful lives differ materially from the estimates used to calculate depreciation, that charge is adjusted prospectively Due to the significance of property, plant and equipment investment to the Company, variations between actual and estimated useful lives could impact operating results both positively and negatively Historically, only minor changes to estimated useful lives have been required

NOTES TO THE FINANCIAL STATEMENTS (Contınued)

4 Crıtıcal accountıng judgements (continued)

Revenue recognıtıon

The Company recognıses revenue generally at the tıme of delıvery Payments receıved ın advance of revenue recognıtıon are recorded as deferred revenue

The Company recognıses landfill tax as both revenue and expense, ın lıne wıth ındustry practıce

Provısıon for doubtful debts

At each balance sheet date, the Company evaluates the collectabılıty of trade debtors and records provısıons for doubtful debts based on experıence ıncludıng, for example, comparısons of the relatıve age of accounts and consıderatıon of actual wrıte-off hıstory The actual level of debt collected may dıffer from the estımated levels of recovery, whıch could ımpact operatıng results posıtıvely or negatıvely As at 31 March 2007 net trade debtors were £982,000

5 Segmental Reporting

The company operated solely wıthın the UK ın one class of busıness durıng the year

6 Operating costs

	2007 £000	2006 £000
Manpower Costs (note 9)	**1,478**	1,879
Raw materıals and consumables	**939**	1,220
Other operatıng expenses include		
Operatıng lease rentals payable		
- Plant and machınery	**34**	82
- Other hıre charges	**40**	54
Profit on dısposal of fixed assets	**(12)**	(104)
Depreciatıon of property, plant and equıpment		
- Owned assets	**394**	432
- Leased assets and hıre purchase agreements	**200**	363
Fees payable for the audıt of the Company's accounts	**5**	9

7 Net finance costs

	2007 £000	2006 £000
Interest payable		
Interest element of finance lease rentals	**(15)**	(15)
Interest receıvable	**17**	23
Net ınterest receıvable	**2**	6

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8 **Taxation**

Analysis of charge in year	**Total 2007 £000**	Total 2006 £000
Current tax	**42**	62
Deferred tax (note19)	**81**	(71)
	123	(9)

UK Corporation tax is calculated at 30% (2006 30%) of the estimated assessable profit for the year The tax for the year differs from the theoretical amount that would arise using the standard rate of corporation tax in the UK (30%) The differences are explained below

	2007 £000	2006 £000
Profit/(loss) before tax Continuing operations	**78**	(151)
Profit/(loss) before tax multiplied by standard rate of corporation tax in the UK of 30% (2006 30%)	**24**	(45)
Effects of		
Expenses not deductible for tax purposes	**16**	22
Group relief surrender at less than full rate	**-**	35
Adjustments to tax charge in respect of prior year	**83**	(21)
Tax charge for year	**123**	(9)

The average applicable tax rate for the year was 158% (2006 6%)

The Finance Act 2007 contains provisions relating to the reduction in the rate of corporation tax from 30% to 28% with effect from 1 April 2008 It was also announced that industrial buildings allowance will be phased out over three years commencing 1 April 2008

At 31 March 2007 the above changes were not substantively enacted The effect of the change in corporation tax as enacted in the Finance Act 2007 would be to reduce the deferred tax liability by £11,000 The provisions to abolish industrial buildings allowances are expected to be contained in the Finance Act 2008 If fully enacted, the total impact on the deferred tax liability is expected to be an increase of £148,000 The combined impact would therefore be to increase the deferred tax liability by £137,000

9 **Employment costs**

The Company has no employees Services provided by the Company were undertaken by employees of Viridor Waste Management Limited, a fellow subsidiary undertaking of Viridor Waste Limited Viridor Waste Management Limited charged a service fee to the Company including the amounts recorded below for 56 (2006 79) employees who worked predominantly for the Company

Employment costs comprise	**2007 £000**	2006 £000
Wages and salaries	**1,311**	1,685
Social security costs	**125**	167
Pension costs	**42**	27
Total employment costs	**1,478**	1,879

Details of Directors emoluments are set out in note 10 There are no personnel other than Directors, who as key management exercise authority and responsibility for planning, directing and controlling the activities of the Group

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10 Directors' emoluments

	2007	2006
	£000	£000
Total emoluments in respect of services to the Company	**11**	23

The Company incurred no direct charge for Directors emoluments but received a proportion of the employment costs of the Directors as a management charge from Viridor Waste Management Limited Total emoluments of the Directors are disclosed in the accounts of Viridor Waste Management Limited

11 Property, plant and equipment

	Freehold land and buildings £000	Fixed and mobile plant, vehicles and computers £000	Total £000
Cost :			
At 1 April 2005	985	9,032	10,017
Additions	-	412	412
Disposals	-	(2,633)	(2,633)
Reclassifications	(110)	110	-
At 31 March 2006	875	6,921	7,796
Additions	-	315	315
Disposals	-	(98)	(98)
At 31 March 2007	**875**	**7,138**	**8,013**
Depreciation :			
At 1 April 2005	-	3,766	3,766
Charge for year	-	795	795
Disposals	-	(1,563)	(1,563)
At 31 March 2006	-	2,998	2,998
Charge for year	-	594	594
Disposals	-	(29)	(29)
At 31 March 2007	**-**	**3,563**	**3,563**
Net book value			
At 31 March 2006	875	3,923	4,798
At 31 March 2007	**875**	**3,575**	**4,450**

Asset lives and residual values are reviewed annually

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11 Property, plant & equipment (continued)

Assets held under finance leases and hire purchase agreements included on the previous page

	Fixed and mobile plant, vehicles and computers £000
Cost	
At 31 March 2006	1,768
At 31 March 2007	**1,768**
Depreciation	
At 31 March 2006	1,057
At 31 March 2007	**1,258**
Net book value	
At 31 March 2006	711
At 31 March 2007	**510**

12 Investment in subsidiary undertaking

	Shares £000
Cost At 1 April 2006 and 31 March 2007	
Provison At 1 April 2006 and 31 March 2007	
Net book value At 31 March 2006 and 31 March 2007	

The Company holds the entire issued share capital of City Reclamation Limited, a dormant company registered in England Full provision has been made against the carrying value of the investment

13 Inventories

	2007 £000	2006 £000
Raw materials and consumables	**28**	19

14 Trade and other receivables - current

	2007 £000	2006 £000
Trade receivables	**982**	1,195
Less provision for impairment of receivables	**-**	-
Net trade receivables	**982**	1,195
Amounts owed by fellow subsidiary undertakings	**43**	40
Other prepayments and accrued income	**18**	30
	1,043	1,265

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value

15 Cash and cash equivalents

	2007 £000	2006 £000
Cash at bank and in hand	**555**	261

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16 Trade and other payables - current

	2007	2006
	£000	£000
Trade payables	**333**	332
Amounts owed to group undertakings	**1,742**	1,949
Other tax and social security	**94**	128
Accruals	**335**	397
	2,504	2,806

The Directors consider that the carrying amount of trade and other payables approximates to their fair value

17 Current tax liabilities

	2007	2006
	£000	£000
Corporation tax	**98**	28

18 Borrowings

	2007	2006
	£000	£000
Current:		
Obligations under finance leases	**107**	161
Loan from fellow subsidiary undertaking	**1,452**	250
	1,559	411
Non -current:		
Obligations under finance leases	**121**	224
Loan from fellow subsidiary undertaking	**-**	1,116
	121	1,340
Total borrowings	**1,680**	1,751

The Directors consider that the carrying amounts of current and non-current borrowings approximate to their fair value

Finance lease liabilities – minimum lease payments	**2007**	2006
	£000	£000
Within one year	**110**	166
In the second to fifth years inclusive	**142**	262
	252	428
Less future finance charges	**(24)**	(43)
	228	385

The maturity of non-current borrowings is	**2007**	2006
	£000	£000
Between 1 and 2 years	**108**	108
Between 2 and 5 years	**13**	116
	121	224

The effective interest rates at the balance sheet date were	**2007**	2006
	%	%
Obligations under finance leases	**5 9**	5 9

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19 Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 30% (2006 30%) The movement on the deferred tax account were

Deferred tax assets have been recognised in respect of all temporary differences giving rise to deferred tax assets because it is probable that these assets will be recovered

All deferred tax assets and liabilities are within the same jurisdiction and may be offset as permitted by IAS12 The movement in deferred tax assets and liabilities is shown below

Deferred tax (assets)/liabilities	Accelerated tax depreciation £000	Other £000	**Total £000**
At 1 April 2005	292	(134)	**158**
Charged /(credited) to the income statement	(130)	59	**(71)**
At 31 March 2006	162	(75)	**87**
Charged /(credited) to the income statement	69	12	**81**
At 31 March 2007	231	(63)	**168**

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities

The deferred tax balance is analysed into assets and liabilities as follows

	2007 £000	2006 £000
Deferred tax assets	**(63)**	(75)
Deferred tax liabilities	**231**	162
	168	87

20 Provisions for liabilities and charges

	At 1 April 2006 £000	Charged to income statement £000	Utilised £000	**At 31 March 2007 £000**
Remediation provision	212	-	-	**212**

	2007 £000	2006 £000
Current	**-**	-
Non current	**212**	212
	212	212

The remediation provision arises from a recognition of an obligation to meet environmental standards throughout its business activities and will be utilised in the period 2009 – 2011

21 Share capital

	2007 £000	2006 £000
Authorised, allotted, called-up and fully paid		
2,046,563 Ordinary shares of £1 each	**2,047**	2,047

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22 Retained deficit

	£000
At 1 April 2005	(446)
Loss for the year	(142)
At 31 March 2006	(588)
Loss for the year	(45)
At 31 March 2007	**(633)**

23 Cash flow from operating activities

Reconciliation of profit for the year to cash generated from operations

Cash generated from operations	**2007 £000**	2006 £000
Loss for the year	**(45)**	(142)
Adjustments for		
Profit on disposal of property, plant and equipment	**(12)**	(104)
Depreciation charge	**594**	795
Interest payable and similar charges	**15**	15
Interest receivable	**(17)**	(23)
Taxation payable/(receivable)	**123**	(9)
Changes in working capital		
(Increase)/decrease in inventories	**(9)**	6
Decrease in trade and other receivables	**222**	38
Decrease/(increase) in trade and other payables	**(302)**	348
Cash generated from operations	**569**	924

24 Net borrowings

	2007 £000	2006 £000
Cash and cash equivalents	**555**	261
Borrowings – current		
Obligations under finance leases	**(107)**	(161)
Loan from fellow subsidiary undertaking	**(1,452)**	(1,365)
	(1,559)	(1,526)
Borrowings – Non-current		
Obligations under finance leases	**(121)**	(224)
Total net borrowings	**(1,125)**	(1,489)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

25 Operating lease commitments – minimum lease payments

	2007 £000	2006 £000
Commitments under non-cancellable operating leases expiring		
Within one year	**28**	39
Later than one year and less than five years	**54**	55
	82	94

The Company leases various facilities under non-cancellable operating lease agreements The leases have various terms, escalation clauses and renewal rights

26 Contingent liabilities

	2007 £000	2006 £000
Guarantees		
Bank guarantees	**555**	256
Performance bonds	-	9
	555	265

Certain banking arrangements of the Company operate on a pooled basis with certain other Pennon Group companies and under these arrangements credit balances of participating companies can be offset against overdrawn balances of participating companies The potential liability outstanding at 31 March 2007 amounted to £555,000 (2006 £256,000)

The performance bonds represent guarantee bonds issued by the Company's bankers in respect of commercial contracts which were cancelled in the year ended 31 March 2007 (2006 £9,000) No liability is expected to arise in respect of the guarantees

27 Capital commitments

There were no capital commitments contracted for but not provided (2006 nil)

28 Related party transactions

During the year, the company entered into the following transactions with related parties

	2007 £000	2006 £000
Fellow subsidiaries		
Sale of goods and services	**356**	94
Purchase of goods and services	**2,131**	2,219
Purchase of goods and services – Administrative recharges	**224**	424
Receivables		
Other - amounts due from fellow subsidiaries (note 14)	**43**	40
Payables		
Borrowings - amounts due to parent undertaking (note 18)	**1,452**	1,365
Group relief – amounts due to fellow subsidiaries (note 16)	-	17
amount owed to immediate parent undertaking (note 16)	**1,115**	1,115
amounts due to fellow subsidiaries (note 16)	**627**	811

NOTES TO THE FINANCIAL STATEMENTS (Continued)

29 Ultimate parent undertaking

The Company is a wholly owned subsidiary of Viridor Waste (Bristol Holdings) Limited, a company registered in England

The parent company of the smallest group into which the Company's results are consolidated is Viridor Limited, which is registered in England Group financial statements are included in the Annual Report of Viridor Limited which is available from Peninsula House, Rydon Lane, Exeter, EX2 7HR

The ultimate parent company and controlling party is Pennon Group Plc which is registered in England Group financial statements are included in the Annual Report of Pennon Group Plc which is available from Peninsula House, Rydon Lane, Exeter, EX2 7HR

30 Explanation of transition to IFRS

The company reported under UK GAAP in its previously reported financial statements for the year ended 31 March 2006 The date of transition to IFRS for the company was 1 April 2005

Under UK GAAP the company created a discounted provision for deferred taxation, as allowed under FRS 19, to reflect an assessment of the periods over which timing differences are expected to reverse

Under IFRS a discounting methodology is not permitted and consequently the deferred tax provision increases with a commensurate reduction in shareholders' equity as indicated below

	2006 £000	2005 £000
Deferred Tax liabilities		
Reported under UK GAAP	(133)	(227)
IAS 16 Property, plant and equipment	46	69
Reported under IFRS	(87)	(158)
Retained earnings and other reserves		
Reported under UK GAAP	(634)	(515)
IAS 12 Income taxes	46	69
Reported under IFRS	(588)	(446)

The restatement of profit for the year ended 31 March 2006 is

	2006 £000
Profit for the year	
Reported under UK GAAP	(119)
IAS 12 Income taxes	(23)
Reported under IFRS	(142)