Registration No: 06256563

VEOLIA ES SHROPSHIRE LIMITED

ANNUAL REPORT

7 MONTH PERIOD ENDED 31 DECEMBER 2007

VEOLIA ES SHROPSHIRE LIMITED

Annual report for the period ended 31 December 2007

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Directors	A de Saint Quentin P Levett G Gravesen
Secretary	RC Hunt
Registered office	Veolia House 154A Pentonville Road London N1 9PE
Auditors	Ernst & Young LLP No. 1 Colmore Square Birmingham B4 6HQ

VEOLIA ES SHROPSHIRE LIMITED

Statement of directors' responsibilities for the Annual Report

The directors present their report together with the audited financial statements for the period ended 31 December 2007.

Incorporation

The company was incorporated on 23 May 2007 and commenced trading on 1 October 2007. The financial statements therefore reflect the results of the company for the 7 months ended 31 December 2007.

Principal activities, trading review and future developments

The principal activity of the company is that of collection, disposal and treatment of municipal waste on behalf of Shropshire Waste Partnership.

The contract commenced on 1 October 2007 and is for a term of 27 years

Turnover for the period ended 31 December 2007 was £3,387,000 giving a profit before taxation of £375,000. During the period, the company processed 35,229 tones of waste under its contract with Shropshire Waste Partnership.

The company was profitable during the period in line with forecasted expectations

The taxation charge for the period was £ 114,000 and a reconciliation of the total tax charge to the standard rate of corporation tax is set out in note 4 to these financial statements.

The directors expect that the present level of activity will increase in the coming year as additional facilities are completed and bought into use.

Principal risks and uncertainties

The company's activities create risk factors that are both external and internal to the company. These risks include but are not limited to environmental legislation, health and safety issues, recycling issues, business continuity and the actions of customers and competitors. The company has implemented risk controls and loss mitigation plans.

Dividends

The directors do not recommend the payment of a dividend.

Directors

The directors serving during the period and since the year end were as follows:

A de Saint Quentin (appointed 23 May 2007)
P Levett (appointed 23 May 2007)
G Gravesen (appointed 23 May 2007)

Directors' Insurance

The parent company maintains insurance for the directors of Veolia ES Shropshire Limited in respect of their duties as directors. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

Disclosure of information to the auditors

Having made enquiries of fellow directors and of the company's auditors, each of the directors confirms that:

- to the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are unaware; and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

Ernst & Young LLP were appointed as auditors during the period. A resolution to reappoint Ernst & Young LLP will be proposed at the forthcoming annual general meeting.

By order of the Board

RC Hunt
Secretary
15 October 2008

Statement of directors' responsibilities for the Annual Report

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 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 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 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.

Independent Auditor's Report to the members of Veolia ES Shropshire Limited

We have audited the company's financial statements for the period ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 15. 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 auditors' 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 the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland).

In addition 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.

We also 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 United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the period 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.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Birmingham
15 October 2008

Profit and loss account for the 7 month period ended 31 December 2007

	Note	2007 £'000
Turnover	1	3,387
Cost of sales		(2,729)
Gross profit		658
Administrative expenses		(283)
Operating profit	2	375
Tax on profit on ordinary activities	4	(114)
Retained profit for the financial year	11, 12	261

The company has no recognised gains and losses other than those included above, and therefore no separate statement of total recognised gains and losses has been presented.

All amounts relate to continuing activities.

Balance sheet at 31 December 2007

	Note	2007 £'000
Fixed assets		
Tangible assets	5	2,301
Current assets		
Debtors	6	2,474
Creditors: amounts falling due within one year	7	(3,448)
Net current liabilities		(974)
Total assets less current liabilities		1,327
Creditors: amounts falling due after more than one year	8	(1,066)
Net Assets		261
Capital and reserves		
Called up share capital	10	-
Profit and loss account	11	261
Shareholder's funds	12	261

The financial statements on pages 5 to 13 were approved and authorised by the Board of Directors on 15 October 2008 and were signed on its behalf by:

A de Saint Quentin
Director

1 Accounting policies

Basis of accounting

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom under the historical cost convention using the following significant accounting policies.

Financial support

An intermediate parent company, Veolia ES Holdings Plc, has provided in writing that it is its intention to continue to provide sufficient finance for the company to meet its liabilities when they fall due for a period of at least 12 months from the date of approval of these financial statements. The financial statements have therefore been prepared on a going concern basis.

Turnover

Turnover represents the value of services provided in the year including landfill tax but excluding value added tax. Revenue is recognized on receipt of waste. All turnover arises in the United Kingdom and relates to the principal continuing activity.

Deferred taxation

Deferred tax is provided, except as noted below, on timing differences that have arisen but not reversed by the balance sheet date, where the timing differences result in an obligation to pay more tax, or a right to pay less tax, in the future. Timing differences arise because of differences between the treatment of certain items for accounting and taxation purposes.

In accordance with FRS 19 deferred tax is not provided on timing differences arising from gains on the sale of non-monetary assets, where on the basis of all available evidence it is more likely than not that the taxable gain will be rolled over into replacement assets.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Deferred tax is measured at the tax rates that are expected to apply in the periods when the timing differences are expected to reverse, based on tax rates and law enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

Where law or accounting standards require gains and losses to be recognised in the statement of total recognised gains and losses, the related taxation is also taken directly to the statement of total recognised gains and losses in due course.

Fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition, or fair value at acquisition and finance costs directly attributable to the construction of tangible fixed assets.

Depreciation is provided to write off the cost less estimated residual values of the fixed assets, over their expected useful lives. It is calculated on a straight-line basis over the following periods:

- Motor vehicles, fixtures, fittings and equipment - 3 to 11 years.
- Fixed plant is depreciated over the period of the contract to which it relates not to exceed 25 years.

Assets in the course of construction are not depreciated during the construction phase. On completion these assets will be transferred into the appropriate asset category and will be depreciated per the stated accounting policy.

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Where there is evidence of impairment, fixed assets are written down to their recoverable amount.

1 Accounting policies (continued)

Operating Leases

Rental payments arising from operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

Finance Leases

Assets held under finance leases are treated as if they had been purchased at their open market value and are included under tangible fixed assets and depreciation is provided accordingly. The capital element of future obligations under these leases are included within creditors. The finance charge element of rentals payable is charged to the profit and loss account in proportion to the capital element outstanding.

Pensions

The company operates pension schemes for all staff. The pension costs for the defined contribution scheme represent contributions payable by the company in the year. The assets of the scheme are invested and managed independently of the finances of the company.

Related party transactions

The company has taken advantage of the exemption available under paragraph 3(c) of Financial Reporting Standard 8, not to disclose intra-group transactions.

Cash flow statement

Under Financial Reporting Statement 1 (revised) the company is exempt from the requirement to prepare a cash flow statement as it is a wholly owned subsidiary of Veolia Environnement S.A. whose financial statements are publicly available.

2 Operating profit

	7 month period ended 31 December 2007
	£'000
This is arrived at after charging:	
Depreciation of fixed assets	40
Contract and short term hire-plant and machinery, vehicles	305

The company's audit fee is borne by a fellow group company.

3 Employees and directors' emoluments

	7 month period ended 31 December 2007 No.
The average monthly number of employees:	
Operatives	157
Supervisors	11
Administration and Sales	13
	181

	2007 £'000
Employee costs consist of:	
Wages and salaries	917
Social security costs	81
Pension costs	112
	1,110

The directors received no emoluments during the period in respect of their services as directors of the company.

4 Taxation

	7 month period ended 31 December 2007 £000s
Current Taxation:	
Current tax on income for the period	122
Deferred Tax:	
Origination of timing differences – current period	(8)
Tax charge on profit on ordinary activities	114

Current tax reconciliation

	2007 £'000
Profit on ordinary activities before taxation	375
Theoretical tax at UK corporation tax rate of 30%	113
Effects of:	
- Accelerated capital allowances	8
- Non-deductible expenses	1
Actual current taxation charge	122

4 Taxation (continued)

Deferred tax

	2007 £'000
Transfer to profit and loss account	8
At 31 December 2007	8
The deferred taxation asset comprises	
Accelerated capital allowances	8
Shown in debtors (note 6)	8

The UK corporation tax rate has decreased from 30% to 28% from 1 April 2008. The rate change will affect the amount of future cash tax payments to be made by the company. The deferred tax balance has been adjusted in the current year to reflect this change. Changes to the UK capital allowance regime will also impact the capital allowances the company can claim.

5 Tangible fixed assets

	Plant, machinery and vehicles £'000	Assets in the course of construction £'000	Total £'000
Cost			
Additions	2,073	268	2,341
At 31 December 2007	2,073	268	2,341
Depreciation			
Charge for the period	40	-	40
At 31 December 2007	40	-	40
Net book value			
At 31 December 2007	2,033	268	2,301

Included within plant, machinery and vehicles are assets with net book value of £1,203,000 in respect of assets held under finance leases. Depreciation of £21,000 was charged on these assets during the period.

6 Debtors: amounts falling due within one year

	2007 £'000
Trade debtors	291
Prepayments and accrued income	203
Amounts owed from group undertakings	1,970
Deferred taxation (note 4)	8
Other debtors	2
	2,474

7 Creditors: amounts falling due within one year

	2007 £'000
Bank overdraft	13
Trade creditors	1,645
Amounts owed to group undertakings	796
Obligations under finance lease and hire purchase contracts (note 9)	141
Taxation and social security	497
Corporation tax payable	122
Accruals and deferred income	234
	3,448

8 Creditors: amounts falling due after more than one year

	2007 £'000
Obligations under finance lease and hire purchase contracts (note 9)	1,066

9 Obligations under finance lease and hire purchase contracts

Amounts due under finance leases and hire purchase contracts:

	2007 £'000
Amounts payable:	
Within one year	141
In two to five years	683
In over five years	383
	1,207

All leases over five years have a seven year term at a rate of 5.294%

10 Share capital

	2007
Authorised	
Ordinary shares of £1 each	1,000

Allotted, called up and fully paid

	2007 £
2 ordinary shares of £1 each	2

On incorporation on 23 May 2007 the company issued 2 ordinary £1 shares at par for cash consideration.

11 Reserves

	Profit and loss account £'000
Retained profit for the period	261
At 31 December 2007	261

12 Reconciliation of movements in shareholder's funds

	2007 £'000
Ordinary share capital issued	-
Retained profit for the period	261
Closing shareholder's funds	261

13 Operating lease commitments

The company has annual financial commitments in respect of operating leases as follows:

	Plant and machinery 2007 £'000
On leases where the commitments expire:	
Within one year	644
Between 1-2 years	282
	926

14. Pension obligations

Defined contribution schemes

The Veolia group operates various defined contribution pension schemes. The assets of the schemes are invested and managed independently of the finances of the group. Contributions of £112,000 were paid by the company in respect of its participation in the defined contribution schemes during the period. Contributions of £43,000 were outstanding at 31 December 2007.

15. Ultimate parent and controlling company

The company's ultimate holding company is Veolia Environnement S.A. (incorporated in France). Copies of the parent's consolidated financial statements may be obtained from The Secretary, 36-38 Avenue Kleber, 75116 Paris, France. The immediate holding company is Veolia ES Montenay Limited (registered in England and Wales).

Veolia ES Aurora Limited (registered in England and Wales) is the smallest group for which group financial statements including Tyseley Finance Plc are drawn up. Copies of the financial statements may be obtained from The Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.