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# **WATER HALL (ENGLAND) LIMITED**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS 2007**

Company number 2534209

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## **DIRECTORS' REPORT**

The directors present their report and financial statements for the year ended 31 December 2007.

### **Principal Activity**

The company is principally engaged in quarrying and waste management and trades as SQ Environmental. Following exhaustion of the supply of consented aggregates from the Bunkers Hill quarry the company now has one continuing activity, waste management.

### **Results and Dividends**

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") for the first time. The adoption of IFRS has resulted in certain balance sheet reclassifications, but has had no effect on the Income Statement or the Company's equity.

Sales for the year from continuing operations were £1,839,000 (2006 - £6,561,000). Cost of sales were £473,000 (2006 - £4,556,000) and the resultant gross profit was £1,366,000 (2006 - £2,005,000). Administrative expenses for the year were £1,272,000 (2006 - £1,627,000) resulting in an operating profit for the year from continuing operations of £94,000 (2006 - £378,000).

After net finance costs of £1,322,000 (2006 - £1,134,000) and a nil tax charge (2006 - £nil) the loss for the year from continuing operations was £1,228,000 (2006 - £756,000). The loss for the year from discontinued operations was £245,000 (2006 - Profit of £274,000) and the overall loss for the year was £1,473,000 (2006 - £482,000).

The directors do not recommend the payment of a dividend (2006 - nil).

### **Review of Business and Future Developments**

As reported last year voidspace in the Southfield Wood landfill was exhausted during the first quarter of 2007 and infilling there was completed. During the fourth quarter of 2007 the supply of consented aggregates from Bunkers Hill quarry was exhausted, quarry sales ceased and the plan to close the skip collections business, initially made earlier in the year then reversed, was finally confirmed. Accordingly, quarrying and skip collections (part of the waste management activity) have been treated as discontinued activities.

The company now has one continuing activity which is waste management, comprising the tipping of inert waste into the Bunkers Hill inert landfill site ("Bunkers"). The scale of the continuing waste management activity had already reduced substantially following completion of the infilling of the Southfield Wood active waste landfill in March 2007.

In December 2007, Hertfordshire County Council ("HCC") refused the company's planning application to vary the existing planning consent for the Materials Recycling Facility ("MRF") so that it would run contemporaneously with Bunkers, for which planning consent runs until 2014. Given the rationale behind the planning application, the local and national need for sustainable waste recycling and recovery facilities, and having taken external professional advice on the reasons given by HCC for refusal, the company has appealed HCC's decision to the Secretary of State.

If successful, it would enable the company to develop a 'state of the art' MRF on the site with attendant benefits for customers, the operation of Bunkers and for the value of the company's assets. In the event that the appeal is not successful, the board is actively considering a number of alternative uses for the land and buildings, which would be expected, subject to planning consent, to enhance their present balance sheet values and business potential.

The board is keeping under review the status of the Hertfordshire Local Minerals Plan Review and HCC's statutory obligation to maintain a seven year planning consented land bank. A decision to make a planning application for the company's non-consented mineral reserves will be taken should the board consider there to be a reasonable chance of its success. In addition, the board is exploring alternative uses for the freehold land north of the B158.

**Review of Business and Future Developments (continued)**

As mentioned earlier, the company's sole revenue and profit stream is now the tipping of inert waste into Bunkers. At forecast rates of input the operating life of the Bunkers void space is expected to be approximately 2 to 3 years. Recognising the underlying value of these assets and their potential, the board's objective is to maximise both the cash generation and the return on capital employed from this business over its remaining operational life.

**Market Value of Landfill Resources**

The market value of the company's freehold interest in the Bunkers Hill site, including the benefit of related planning permission and permits for waste infilling, was valued at December 2007 by independent qualified valuers using the capitalised royalty basis at £1,580,000. This represents a surplus of £1,000,000 over the carrying value in the Financial Statements. The valuation was undertaken by GVA Grimley Ltd. The valuation surplus has not been incorporated in the balance sheet.

**Principal Risks and Uncertainties**

The management of the business and the execution of the company's strategy are subject to a number of risks. The key business risks affecting the company are set out below:

- Changes to economic conditions, particularly in the area served by the Water Hall Complex
- Delays in receiving regulatory approval and planning consent and changes in regulatory requirements
- Health, safety and environmental breaches
- Retention and recruitment of appropriate employees
- Breaches of planning and licensing rules
- Sustained adverse weather conditions

The Board's approach to managing the risks and uncertainties of the business is to regularly review these matters, with executive management; to establish good communications with local authorities and government agencies; to obtain expert professional advice from external sources and to take appropriate actions.

**Internal Control**

The board of directors is responsible for the company's system of internal control. While internal control systems are designed to meet the particular needs of a business and to manage the risks to which it is exposed they cannot eliminate the risk of failure to achieve business objectives. By its nature, any system of internal control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

**Directors**

The directors who held office at the date of signing and throughout the year were as follows:

R M Abdullah  
R D Musson

**Directors' Interests**

At 31 December 2007 and 2006 the directors were also directors of Water Hall Group plc, the ultimate parent undertaking, in whose accounts their interests in the share capital of that company are disclosed.

**Financial Instruments**

The company's principal financial instruments during the year comprised cash and escrow accounts. The main purpose of these instruments is to maximize returns for shareholders and to meet the Environment Agency's financial provisioning requirements for the cost of restoration and aftercare. The company has various other financial instruments such as debtors and creditors that arise directly from its operations.

The company's operations expose it to a variety of financial risks: market risks (interest rates), liquidity risks and credit risks.

- Market risk - The company is exposed to changes in interest rates on its interest bearing bank deposits.
- Liquidity risk - The company together with its ultimate parent undertaking manage liquidity risk by continuously monitoring forecast and actual cash flows to ensure that sufficient funds are available for ongoing operations and future developments.
- Credit risk - The company is exposed to credit risks in respect of its cash and cash equivalents, including short term deposits with banks, trade and other receivables.

**Donations**

As permitted by government regulations, the Company contributed £8,000 (2006 – £53,000) of its Landfill Tax liability to the SQ Environmental Trust Ltd, an ENTRUST registered environmental body, to fund environmental and other qualifying projects in the Company's area of operation.

**Post Balance Sheet Events**

See note 26

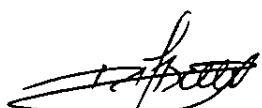
**Auditors**

Each of the persons who is a director at the date of approval of this report confirms that:

- 1 so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- 2 the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985. Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

By order of the board.



**RM Abdullah**  
Director  
26 August 2008

**Registered Office**  
Parallel House  
32 London Road  
Guildford  
GU1 2AB

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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The directors are responsible for preparing the Annual Report and the financial statements. The directors are required to prepare financial statements for the Company in accordance with International Financial Reporting Standards as adopted by the EU (IFRSs). Company law requires the directors to prepare such financial statements in accordance with IFRSs, the Companies Act 1985 and Article 4 of the IAS Regulation.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the Preparation and Presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs.

Directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a directors' report which complies with the requirements of the Companies Act 1985.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WATER HALL (ENGLAND) LIMITED**

We have audited the financial statements of Water Hall (England) Limited for the year ended 31 December 2007 which comprise the Income Statement, the Balance Sheet and the related notes 1 to 28. 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 preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union 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).

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 other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

**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**

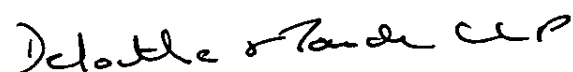
**In our opinion**

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the company's affairs as at 31 December 2007 and of its loss 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.

**Separate opinion in relation to IFRSs**

As explained in Note 1 to the financial statements, the company, in addition to complying with its legal obligation to comply with IFRSs as adopted by the European Union, has also complied with the IFRSs as issued by the International Accounting Standards Board.

In our opinion the financial statements give a true and fair view, in accordance with IFRSs, of the state of the company's affairs as at 31 December 2007 and of its loss for the year then ended.



**Deloitte & Touche LLP**

Chartered Accountants and Registered Auditors

Reading, United Kingdom

26 August 2008



**INCOME STATEMENT**

**For the year ended 31 December 2007**

	Note	2007 £000	2006 £000
<b>Continuing operations</b>			
<b>Revenue</b>	4	1,839	6,561
Cost of sales		(473)	(4,556)
<b>Gross profit</b>		<u>1,366</u>	<u>2,005</u>
Administrative expenses	5	(1,272)	(1,627)
<b>Operating profit</b>		<u>94</u>	<u>378</u>
Finance costs	9	(1,322)	(1,134)
<b>Loss before income tax</b>		<u>(1,228)</u>	<u>(756)</u>
Income tax expense	10	-	-
<b>Loss for the year from continuing operations</b>		<u>(1,228)</u>	<u>(756)</u>
<b>Discontinued operations</b>			
(Loss) / profit for the year from discontinued operations	4	(245)	274
<b>Loss for the year</b>	18	<u>(1,473)</u>	<u>(482)</u>

There were no recognised gains or losses other than those shown above and therefore no separate statement of recognised income and expense has been presented.

**BALANCE SHEET**  
as at 31 December 2007

		2007	2006
Assets	Note	£000	£000
<b>Non-current assets</b>			
Property, plant and equipment	11	1,041	1,100
Investments	12	124	124
		<u>1,165</u>	<u>1,224</u>
<b>Current assets</b>			
Inventories	13	-	56
Trade and other receivables	14	963	1,389
Cash - escrow deposits	15	1,255	1,185
Cash and cash equivalents		-	55
		<u>2,218</u>	<u>2,685</u>
Non-current assets held-for-sale	16	63	-
<b>Total assets</b>		<u>3,446</u>	<u>3,909</u>
<b>Equity and liabilities</b>			
Share capital	17	-	-
Retained deficit	18	(24,240)	(22,767)
<b>Total equity</b>		<u>(24,240)</u>	<u>(22,767)</u>
<b>Non-current liabilities</b>			
Loan from parent company	19	22,997	22,997
Provision for liabilities and charges	20	1,749	1,876
		<u>24,746</u>	<u>24,873</u>
<b>Current liabilities</b>			
Trade and other payables	21	2,601	1,464
Provision for liabilities and charges	20	339	339
		<u>2,940</u>	<u>1,803</u>
<b>Total liabilities</b>		<u>27,686</u>	<u>26,676</u>
<b>Total equity and liabilities</b>		<u>3,446</u>	<u>3,909</u>

Approved by the Board on 26 August 2008 and signed on its behalf by

  
R M Abdullah  
Director

**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 December 2007****1. GENERAL INFORMATION**

The Company has taken advantage of section 228 of the Companies Act 1985 and has not prepared group accounts. These accounts present information about the Company as an individual undertaking and not about its group. Group results are consolidated in the ultimate parent undertaking, Water Hall Group plc.

The Company has also taken advantage of the exemption in IAS7 from including a cash flow statement on the basis that its cash flows are included in the consolidated cash flow statement of its parent, Water Hall Group plc. These accounts are available from the Company Secretary at the address included in note 27.

The financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs") and the Companies Act 1985 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

**2. ACCOUNTING POLICIES**

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements and in preparing an opening IFRS balance sheet at 1 January 2006 for the purposes of the transition to Adopted IFRSs.

Judgements made by the directors in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are disclosed in note 3.

**Transition to Adopted IFRSs**

The company is preparing its financial statements in accordance with Adopted IFRSs for the first time and consequently has applied IFRS1. An explanation of how the transition to Adopted IFRSs has affected the reported financial position and financial performance of the company is provided in note 28.

**Adoption of standards effective in 2007**

The following standards have been applied from 1 January 2007:

- IFRS7            'Financial Instruments: Disclosure'
- IAS1            '(Amendment) Capital Disclosures'

The application of IFRS7 and IAS1 (Amendment) in the year ended 31 December 2007 have not affected the balance sheet or income statement as the standards are concerned with disclosure only.

At the date of authorisation 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:

- IFRIC12        'Service concession arrangements'
- IFRIC14        'IAS19 – the limit on a defined benefit asset, minimum funding requirements and their interaction'

The directors anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the financial statements of the company.

**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 December 2007****2. ACCOUNTING POLICIES (CONTINUED)****IFRS effective in 2007 but not relevant**

The following amendment was mandatory for accounting period beginning on or after 1 January 2007 but is not relevant to the operations of the company

- IFRIC11 'IFRS2 – Group treasury share transactions'.

**Property, plant and equipment**

The landfill resources are held at cost less depreciation. Landfill resources are amortised over the life of each site in proportion to the rate of extraction or landfilling respectively

Other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Where parts of an item of property, plant or equipment have different useful lives, they are accounted for as separate items of property, plant and equipment

Depreciation is charged to the income statement on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows

Buildings	-	5 - 10 years
Plant and equipment	-	1 – 10 years

No depreciation is provided on freehold land. An additional charge arises when, in the opinion of the directors, there has been an impairment of the carrying value of the related fixed asset.

**Investments in subsidiary undertakings**

Investments in subsidiaries are carried at cost less any amounts written off to reflect any impairment in value

**Inventories**

Inventories are stated at the lower of cost and net realisable value. The cost of finished goods is based on the first in first out principle and comprises direct materials and labour together with the relevant proportion of attributable overheads. Due allowance is made for obsolete or slow moving items.

**Trade and other receivables**

Trade and other receivables are stated at their nominal amount (discounted if material) less impairment losses.

**Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and call deposits.

**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 December 2007**

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**2. ACCOUNTING POLICIES (CONTINUED)****Landfill engineering costs**

Landfill engineering costs are recognised as the expenditure is incurred in preparation for the removal of aggregates and preparing a particular landfill cell prior to the commencement of landfill operations. These costs are amortised over the life of each site in proportion to the rate of extraction or landfill respectively and the costs not yet amortised are carried forward as a trade and other receivable.

**Non-current assets held-for-sale**

Non-current assets are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for sale in its present condition. The anticipated disposal should be expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets classified as held-for-sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

**Restoration and post closure monitoring costs (aftercare)**

Full provision has been made for the net present value (NPV) of the company's estimated costs in respect of restoration liabilities at the company's landfill sites, the unexpended portion of which has been capitalised in property, plant and equipment. The company continues to provide for all aftercare costs over the life of its landfill sites, in proportion to the rate at which each site is filled, since liabilities in relation to these costs increase as waste is deposited. All long-term provisions for restoration and aftercare costs are calculated based on the NPV of expected future costs, discounted at 5% per annum. The effect of the unwinding of the discount element on existing provisions is reflected as a financial item.

**Revenue**

Revenue, all of which arises in the United Kingdom, represents the amounts charged to third parties including landfill tax, net of value added tax.

**Operating lease payments**

Payments made under operating leases are recognised in the income statement on a straight line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

**Finance lease payments**

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

**Income from investing activities**

Interest income is recognised in the income statement as it accrues, using the effective interest method

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

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### 2. ACCOUNTING POLICIES (CONTINUED)

#### **Taxation**

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years

Deferred taxation is provided in full on timing differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax at a future date, at rates expected to apply when they crystallise based on current tax rates and law. The following timing differences are not provided for

- the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and
- differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date

Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised only to the extent that it is regarded probable that future taxable profits will be available against which the asset can be utilised as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted

#### **Finance leasing and hire purchase**

Assets acquired under finance leases and hire purchase contracts, which are those where substantially all the risks and rewards of ownership of the asset have passed to the company, are included in property, plant and equipment and the obligations to pay future instalments are included in creditors. The total finance charge under finance leases and hire purchase contracts is allocated to accounting periods during the contract term so as to produce a constant periodic rate of charge on the remaining balance of the obligation

#### **Pension costs**

The company contributes to defined contribution personal pension schemes and defined contribution stakeholder pensions. Pension costs in respect of these schemes are charged to the profit and loss account as they fall due.

**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 December 2007****3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

The company makes estimates and assumptions concerning the future, which by definition will seldom result in actual results that match the accounting estimate. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial period are set out below:

**Restoration and post closure monitoring costs (aftercare)**

The company makes provisions for restoration and post closure monitoring costs in accordance with its accounting policy. These costs are estimated based on advice from external consultants and the estimates and assumptions are reviewed on an ongoing basis.

**Income taxes**

The company has significant carried forward tax losses. Significant judgement is required in determining deferred tax assets based on an assessment of the probability that taxable profits will be available against which carried forward losses can be utilised.

Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income statement in the period in which such a determination is made.

**4. REVENUE & DISCONTINUED OPERATIONS**

	2007 £000	2006 £000
<b>Continuing operations</b>		
Quarry products	-	-
Waste management	1,839	6,561
	<u>1,839</u>	<u>6,561</u>
<b>Discontinued operations</b>		
Quarry products	512	965
Waste management	1,134	1243
	<u>1,646</u>	<u>2,208</u>
<b>Total Revenue</b>	<u>3,485</u>	<u>8,769</u>

	2007 £000	2006 £000
<b>Discontinued operations</b>		
Revenue	1,646	2,208
Expenses	(1,891)	(1,934)
<b>(Loss) / profit before tax</b>	<u>(245)</u>	<u>274</u>
Tax	-	-
<b>(Loss) / profit for year from discontinued operations</b>	<u>(245)</u>	<u>274</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2007**

**5. EXPENSES/(OTHER INCOME) BY NATURE**

	2007 £000	2006 £000
<b>Administrative expenses include:</b>		
Depreciation of property, plant and equipment (note 11)		
owned assets	60	1,196
leased assets	-	23
Operating lease payments		
plant and equipment	267	348
<b>Loss for the year from discontinued operations includes :</b>		
Gain on the disposal of property, plant and equipment	<u>(100)</u>	<u>(19)</u>
The audit fees of the company are paid by its parent.		
<b>Audit services</b>		
Fees payable to Company's auditor for the audit of the financial statements	22	20
<b>Other services</b>		
Fees payable to Company's auditor for other services.		
Tax services provided to company and parent	<u>10</u>	<u>14</u>
	<u>32</u>	<u>34</u>

**6. EMPLOYEE BENEFIT EXPENSE**

	2007 £000	2006 £000
<b>Staff costs:</b>		
Wages and salaries	1,137	1,396
Social security costs	122	145
Pension costs - defined contribution	<u>5</u>	<u>4</u>
	<u>1,264</u>	<u>1,545</u>
The average number of employees of the company during the year is.		
	2007	2006
Quarry products and waste management	32	46
Administration	<u>9</u>	<u>8</u>
	<u>41</u>	<u>54</u>



**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2007**

**6.EMPLOYEE BENEFIT EXPENSE (CONTINUED)**

	2007	2006
	£000	£000
<b>Key management compensation:</b>		
Salaries	63	73
Pension costs	2	2
Social security costs	7	8
	<u>72</u>	<u>83</u>

**7. RELATED PARTY TRANSACTIONS**

The Company has taken advantage of the exemption in IAS24 from disclosing transactions with related parties which are part of the Water Hall Group plc group or investees of the group.

**8. DIRECTORS' EMOLUMENTS**

The directors were also directors of the ultimate parent company, Water Hall Group plc. Their emoluments are disclosed in the parent company's accounts. The directors do not believe that it is practical to apportion this amount between services as directors of the Company and services as directors of the ultimate holding company. The total emoluments of both directors during the year for services provided to the Group were £206,000 (2006 - £189,000).

**9. FINANCE INCOME AND COSTS**

	2007	2006
	£000	£000
Interest on escrow deposits	<u>69</u>	<u>49</u>
Unwinding of discount on provisions	(133)	(39)
Interest on intercompany loan	<u>(1,258)</u>	<u>(1,144)</u>
	<u>(1,391)</u>	<u>(1,183)</u>
<b>Net finance cost</b>	<u>(1,322)</u>	<u>(1,134)</u>

The charge in respect of unwinding of provisions arises on the provisions for future restoration and aftercare costs as they are shown at their net present value, calculated by discounting at 5% per annum the costs expected to be incurred between 2008 and 2069. The discount is charged to the profit and loss account as interest but is not a cash outflow during the year.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2007**

**10. INCOME TAX EXPENSE**

	2007 £000	2006 £000
Tax charged in the Income Statement	-	-

The tax charge for the year is £nil (2006 - £nil) The standard rate of tax for the year is 30% (2006 - 30%)  
The actual tax assessed for the year differs from the standard rate for the reasons set out in the following reconciliation.

	2007 £000	2006 £000
<b>Loss on ordinary activities before taxation</b>	<b>(1,473)</b>	<b>(482)</b>
At standard rate of corporation tax of 30% (2006 - 30%)	442	145
<b>Effect of:</b>		
Profits chargeable as capital gains (relieved by utilisation of capital losses)	30	-
Group relief	(222)	-
(Utilisation) / recognition of trading losses	(335)	25
Short-term timing differences	13	3
Depreciation less than / (in excess of) capital allowances	72	(173)
	-	-

A deferred tax asset of £633,000 (2006 - £435,000) in respect of timing differences relating to tax losses carried forward and differences between capital allowances and depreciation has not been recognised as there is no certainty that the asset will be recovered. The potential asset is recoverable against future taxable profits

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2007**

**11. PROPERTY, PLANT AND EQUIPMENT**

	<b>Landfill resources £000</b>	<b>Land and buildings £000</b>	<b>Plant and equipment £000</b>	<b>Total £000</b>
<b>Cost</b>				
At 1 January 2006	10,488	441	4,045	14,974
Additions	247	-	304	551
Disposals	-	-	(315)	(315)
<b>At 31 December 2006</b>	<b>10,735</b>	<b>441</b>	<b>4,034</b>	<b>15,210</b>
Additions	-	26	38	64
Reclassified as held for sale	-	-	(1,206)	(1,206)
Elimination on completion of landfill	(4,819)	-	-	(4,819)
Disposals	-	-	(342)	(342)
<b>At 31 December 2007</b>	<b>5,916</b>	<b>467</b>	<b>2,524</b>	<b>8,907</b>
<b>Depreciation and impairment</b>				
At 1 January 2006	9,646	101	3,455	13,202
Depreciation charge	445	-	774	1,219
Disposals	-	-	(311)	(311)
<b>At 31 December 2006</b>	<b>10,091</b>	<b>101</b>	<b>3,918</b>	<b>14,110</b>
Depreciation charge	34	-	26	60
Reclassified as held for sale	-	-	(1,143)	(1,143)
Elimination on completion of landfill	(4,819)	-	-	(4,819)
Disposals	-	-	(342)	(342)
<b>At 31 December 2007</b>	<b>5,306</b>	<b>101</b>	<b>2,459</b>	<b>7,866</b>
<b>Net book value 2007</b>	<b>610</b>	<b>366</b>	<b>65</b>	<b>1,041</b>
<b>Net book value 2006</b>	<b>644</b>	<b>340</b>	<b>116</b>	<b>1,100</b>

Landfill resources include costs of £1,438,000 (2006 - £1,438,000) and accumulated depreciation of £1,245,000 (2006 - £1,236,000) arising from the capitalisation of the IAS37 asset being the unexpended portions of the company's future restoration costs

Plant and equipment include assets held under finance leases and hire purchase contracts with a net book value of £nil (2006 - £nil). Depreciation on these assets of £nil (2006 - £8,000) has been charged in the income statement.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2007**

**12. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS**

	<b>2007</b>	<b>2006</b>
	<b>£000</b>	<b>£000</b>
<b>Cost</b>		
At 1 January and 31 December	6,023	6,023
<b>Provision for diminution in value</b>		
At 1 January and 31 December	(5,899)	(5,899)
<b>Carrying value</b>		
At 31 December	<u>124</u>	<u>124</u>

The principal subsidiary undertaking is shown in note 24. In the opinion of the directors, the aggregate value of investments in subsidiary undertakings is not less than the amount at which they are stated above

**13. INVENTORIES**

	<b>2007</b>	<b>2006</b>
	<b>£000</b>	<b>£000</b>
Raw materials and consumables	-	25
Finished goods and goods for resale	<u>-</u>	<u>31</u>
	<u>-</u>	<u>56</u>

**14. TRADE AND OTHER RECEIVABLES**

	<b>2007</b>	<b>2006</b>
	<b>£000</b>	<b>£000</b>
<b>Current assets:</b>		
Trade receivables	439	1,239
Other receivables	96	42
Landfill engineering costs	<u>428</u>	<u>108</u>
	<u>963</u>	<u>1,389</u>
<b>Trade receivables, net of allowances</b>		
Trade receivables	529	1,345
Allowance for doubtful debts	<u>(90)</u>	<u>(106)</u>
	<u>439</u>	<u>1,239</u>

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2007

**14. TRADE AND OTHER RECEIVABLES (CONTINUED)****Trade receivables, net of allowances**

Total trade receivables (net of allowances) at 31 December 2007 amounted to £439,000 (2006 - £1,239,000).

The average credit period taken on sales is 52 days (2006 - 47 days) No interest is charged on the receivables. An allowance has been made for estimated irrecoverable amounts from sales of £90,000 (2006 - £106,000). This allowance has been made by reference to past default experience. The directors consider that the carrying amount of trade and other receivables approximates their fair value.

Before accepting any new customer, the company uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer Limits attributed to customers are reviewed every time a customer places a new order. All trade receivables that are neither past due nor impaired have received satisfactory credit scores under the external credit scoring systems used Clients that are deemed to present a credit risk are required to make up front payment or credit is refused

Included in the trade receivable balance are debtors with a carrying amount of £258,000 (2006 - £767,000) which are past due at the reporting date for which the company has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The company does not hold any collateral over these balances The average age of these receivables is 49 days (2006 - 50 days)

<b>Ageing of past due debt but not impaired receivables</b>	<b>2007</b>	<b>2006</b>
	<b>£000</b>	<b>£000</b>
30-60 days	227	636
60-90 days	31	131
Total	<u>258</u>	<u>767</u>

Weighted average (days)	49	50
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<b>Movement in the allowance for doubtful debts</b>	<b>2007</b>	<b>2006</b>
	<b>£000</b>	<b>£000</b>
Balance at the beginning of the period	105	202
Impairment losses recognised	14	22
Amounts written off as uncollectable	(9)	(92)
Amounts recovered during the year	-	(21)
Impairment losses reversed	(20)	(5)
Balance at the end of the period	<u>90</u>	<u>106</u>

In determining the recoverability of a trade receivable the company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts. All impaired trade receivables are over 90 days old.

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

**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 December 2007****15. CASH – ESCROW DEPOSITS**

Cash at bank – escrow deposit comprises £1,255,000 (2006 - £1,185,000) deposited by Water Hall (England) Ltd in five (2006 – five) bank accounts held jointly with the Environment Agency in escrow. These escrow accounts are to be used specifically for restoration and aftercare purposes.

**16. NON-CURRENT ASSETS HELD-FOR-SALE**

	2007 £000	2006 £000
Plant and equipment attributable to discontinued activities	<u>63</u>	<u>-</u>

**17. SHARE CAPITAL**

	2007 £	2006 £
<b>Authorised</b>		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>
<b>Allotted, called up and fully paid</b>		
2 Ordinary shares of £1 each	<u>2</u>	<u>2</u>

**18. RETAINED DEFICIT**

	2007 £000	2006 £000
At 1 January 2007	(22,767)	(22,285)
Loss for the year	<u>(1,473)</u>	<u>(482)</u>
At 31 December 2007	<u>(24,240)</u>	<u>(22,767)</u>

**19. NON-CURRENT LIABILITIES – LOAN FROM PARENT COMPANY**

	2007 £000	2006 £000
Parent company loan	<u>22,997</u>	<u>22,997</u>

The parent company loan is unsecured and bears interest at between base rate and base rate plus 5% and is repayable on 1 January 2009 or thereafter on a date to be agreed between the company and its parent.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2007**

**20. PROVISIONS FOR LIABILITIES AND CHARGES**

	2007 £000	2006 £000
At 1 January 2007	2,215	1,388
Additional provisions	10	1,037
Used during the year	(270)	(249)
Unwinding of discount	133	39
<b>At 31 December 2007</b>	<b>2,088</b>	<b>2,215</b>
	2007 £000	2006 £000
<b>Analysis of total provisions:</b>		
Current	339	339
Non-current	1,749	1,876
	<b>2,088</b>	<b>2,215</b>

The restoration and aftercare provisions relate to the costs of restoring and reinstating land from which the mineral resources are extracted, addressing environmental issues at quarry and landfill sites and planning and related matters. These costs are expected to be incurred between 2008 and 2069.

**21. TRADE AND OTHER PAYABLES**

	2007 £000	2006 £000
<b>Current liabilities:</b>		
Bank overdraft (secured)	31	-
Trade payables	227	280
Amounts owed to ultimate parent undertaking and fellow subsidiary undertaking	1,967	398
Amounts owed to subsidiary undertaking	174	174
Other taxation and social security	107	341
Other payables	41	26
Accruals and deferred income	54	202
Landfill tax	-	43
	<b>2,601</b>	<b>1,464</b>

The bank overdraft is secured by first charge over the assets of the company

**22. RETIREMENT BENEFIT OBLIGATIONS**

The company contributes to defined contribution personal pension schemes and defined contribution stakeholder pensions. The pension cost charged during the year in respect of these schemes was £5,000 (2006: £4,000). The Group does not operate any defined benefit pension schemes.

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2007

**23. COMMITMENTS****(a) Operating lease commitments**

Future minimum lease payments under a non-cancellable operating lease for a motor vehicle as at 31 December 2007 are as follows:

	2007 £000	2006 £000
No later than 1 year	5	5
Later than 1 year and no later than 5 years	1	6
	<u>6</u>	<u>11</u>

**(b) Capital commitments**

At 31 December 2007 the company had no commitments not provided for in the accounts (2006 - £nil)

**24. PRINCIPAL SUBSIDIARY UNDERTAKING**

Company	Activity
Star Quarry Products Limited	Dormant

The undertaking is registered in England and Wales. It is wholly owned and its shares are fully paid.

**25. CONTINGENT LIABILITIES**

A further payment of £4,200 is due to be paid into the escrow accounts in 2008 (2007 - £136,000).

**26. POST BALANCE SHEET EVENTS**

Following the completion of landfill activities at the Southfield Wood landfill in March 2007, revenue arising from the receipt of active waste and skip collections was significantly reduced and in the last quarter of 2007 the board decided to close the skip collections business. The closure process and consequent reorganisation has been largely completed during the first quarter of 2008. In July 2008 it was decided to discontinue the processing of inert waste at the Materials Recycling Facility and the closure process should be completed during the third quarter of 2008. Net closure costs, mainly redundancy payments, are expected to be more than offset by profit arising on the sale of assets held for sale.

**27. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY**

In the directors' opinion, the Company's immediate parent company and controlling party is Water Hall Group plc, a company which is registered in England and Wales. This is also the parent company of the largest and smallest group of which the company is a member and for which group accounts are published. Accounts for that company are available from the Company Secretary, Water Hall Group plc, Parallel House, 32 London Road, Guildford, GU1 2AB. The accounts can also be accessed at the Water Hall Group plc web site [www.waterhallgroupplc.com](http://www.waterhallgroupplc.com).



**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 December 2007****28. EXPLANATION OF TRANSITION TO ADOPTED IFRS'S**

As stated in note 2, these are the company's first financial statements prepared in accordance with Adopted IFRS's

The accounting policies set out in note 2 have been applied in preparing these financial statements for the year ended 31 December 2007, the comparative information presented in these financial statements for the year ended 31 December 2006 and in the preparation of an opening IFRS balance sheet at 1 January 2006 (the company's date of transition)

In preparing its opening balance sheet, the company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to Adopted IFRS's has affected the company's financial position is set out in the following table and the notes that accompany the table

	<b>UK GAAP as at 31 Dec 2005 £000</b>	<b>Effect of transition to IFRS £000</b>	<b>Note</b>	<b>UK IFRS as at 1 Jan 2006 £000</b>
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant & equipment	1,772	-		1,772
Investments	124	-		124
	<u>1,896</u>	<u>-</u>		<u>1896</u>
<b>Current assets</b>				
Inventories	162	-		162
Trade and other receivables	1,490	-		1,490
Cash and cash equivalents	1,035	-		1,035
	<u>2,687</u>	<u>-</u>		<u>2687</u>
Non-current assets held-for-sale	-	-		-
	<u>2,687</u>	<u>-</u>		<u>2687</u>
<b>Total assets</b>	<u>4,583</u>	<u>-</u>		<u>4,583</u>
<b>Equity and liabilities</b>				
Share capital	-	-		-
Profit and loss account deficit	(22,284)	22,284	1	-
Retained deficit	-	(22,284)	1	(22,284)
<b>Total equity</b>	<u>(22,284)</u>	<u>-</u>		<u>(22,284)</u>
<b>Non-current liabilities</b>				
Loan from parent company	22,997	-		22,997
Provisions for liabilities and charges	1,388	(301)	2	1,087
	<u>24,385</u>	<u>(301)</u>		<u>24,084</u>
<b>Current liabilities</b>				
Current borrowings	28	-		28
Trade and other payables	2,454	-		2,454
Provisions for liabilities and charges	-	301	2	301
	<u>2,482</u>	<u>301</u>		<u>2783</u>
<b>Total liabilities</b>	<u>26,867</u>	<u>-</u>		<u>26,867</u>
<b>Total equity and liabilities</b>	<u>4,583</u>	<u>-</u>		<u>4,583</u>

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2007

**28. EXPLANATION OF TRANSITION TO ADOPTED IFRS'S (continued)**

	UK GAAP as at 31 Dec 2006 £000	Effect of transition to IFRS £000	Note	UK IFRS as at 31 Dec 2006 £000
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant & equipment	1,100	-		1,100
Investments	124	-		124
	<u>1,224</u>	<u>-</u>		<u>1224</u>
<b>Current assets</b>				
Inventories	56	-		56
Trade and other receivables	1,389	-		1,389
Cash and cash equivalents	1,240	-		1,240
	<u>2,685</u>	<u>-</u>		<u>2685</u>
Non-current assets held-for-sale	-	-		-
	<u>2,685</u>	<u>-</u>		<u>2685</u>
<b>Total assets</b>	<u>3,909</u>	<u>-</u>		<u>3,909</u>
<b>Equity and liabilities</b>				
Share capital	-	-		-
Profit and loss account deficit	(22,767)	22,767	1	-
Retained deficit	-	(22,767)	1	(22,767)
<b>Total equity</b>	<u>(22,767)</u>	<u>-</u>		<u>(22,767)</u>
<b>Non-current liabilities</b>				
Loan from parent company	22,997	-		22,997
Provisions for liabilities and charges	2,215	(339)	2	1,876
	<u>25,212</u>	<u>(339)</u>		<u>24,873</u>
<b>Current liabilities</b>				
Current borrowings	-	-		-
Trade and other payables	1,464	-		1,464
Provisions for liabilities and charges	-	339	2	339
	<u>1,464</u>	<u>339</u>		<u>1,803</u>
<b>Total liabilities</b>	<u>26,676</u>	<u>-</u>		<u>26,676</u>
<b>Total equity and liabilities</b>	<u>3,909</u>	<u>-</u>		<u>3,909</u>

**Notes - explanation of reconciling items between UK GAAP and IFRS**

1. The profit and loss account deficit is renamed retained deficit under IAS1
2. Reclassification in the balance sheet of provisions for liabilities and charges required under IAS1 between current and non-current liabilities
- 3 The adoption of Adopted IFRS has had no impact on the income statement and the cash flows of the company