WATER HALL (ENGLAND) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS 2008

Company number 02534209

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DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 31 December 2008.

Principal Activity
The company is principally engaged in waste management, based at the Water Hall Complex near Hertford, and trades as SQ Environmental. During 2008 the skip collections business and the materials recycling facility, both part of the waste management activity, were closed.

Results and Dividends
Sales for the year from continuing operations were £1,838,000 (2007 - £1,839,000). Cost of sales were £1,011,000 (2007 - £473,000) and the resultant gross profit was £827,000 (2007 - £1,366,000). Administrative expenses for the year were £1,365,000 (2006 - £1,272,000) and there was a gain on the disposal of plant and equipment of £23,000 resulting in an operating loss for the year from continuing operations of £515,000 (2007 - profit £94,000).

After net finance costs of £1,170,000 (2007 - £1,322,000) and a nil tax charge (2007 - £nil) the loss for the year from continuing operations was £1,685,000 (2007 – £1,228,000). The loss for the year from discontinued operations was £60,000 (2007 – £245,000) and the overall loss for the year was £1,745,000 (2007 - £1,473,000).

The directors do not recommend the payment of a dividend (2007 – nil).

Review of Business and Future Developments
The 'credit crunch' has severely impacted the construction industry served by the company, in particular the house building sub-sector with many housebuilders deferring development of new sites and extensions of existing sites. This has served to reduce both volumes and gate prices received at Bunkers inert landfill.

During the fourth quarter of 2007 the supply of consented aggregates was exhausted and quarry sales ceased. The skip collections business and the processing of waste at the materials recycling facility ceased during the first half of 2008.

On a more positive note after considerable, and in the board's view, unnecessary delays on the part of Hertfordshire County Council ("HCC"), planning consent was eventually granted in September 2008, shortly before the appeal date set by the Secretary of State, for the life of the materials recycling facility ("MRF") to be decoupled from the life of Southfield Wood and linked instead to that of Bunkers landfill site where the planning consent runs until 2014 or earlier if the site is filled before. The delays caused the cost of the planning application to run considerably over budget and created uncertainty, which contributed to the decision to cease certain operations with the resultant loss of permanent jobs.

Of the other planning issues outstanding with HCC, the most significant relates to the company seeking a variation to an existing planning consent to permit a revised and improved restoration scheme for Southfield Wood, in turn improving its agricultural quality. The planning application was submitted in July 2009.

The trading difficulties experienced during 2008 have continued into 2009. The budget for 2009 has been set to reflect anticipated volumes at lower gate prices than the average for 2008. While volumes and gate prices for the first two months of the year were broadly in line with the budget, activity since then has proved to be more difficult. Weak and erratic trading conditions have been experienced and the competitive nature of the available business has led to lower gross margins. In addition to normal market forces, the company has been having to compete with the availability of a free tip for certain inert soils at the nearby White Water Canoe Complex at Waltham Abbey being prepared for the 2012 Olympics.

Review of Business and Future Developments (continued)

The board believes that, having already downsized the business in line with current levels of activity, there is little room for manoeuvre given that the business is very much confined to its local geographic area and is therefore dependent upon inert waste that arises from within an economic transport distance. It also believes that the returns from continuing to own and operate the present business are limited with little or no defence against market conditions. Additionally, the cost of pursuing a planning application in respect of an Energy from Waste ("EfW") facility and the subsequent build costs, along with the skills and risks associated with the planning consents required for this, the Local Minerals Development Framework ("LMDF") and the Local Waste Development Framework ("LWDF"), further convince the board that a disposal of the business and its assets would be in the best interests of the company.

While the planning history and waste management licences for the Complex are not straightforward and the well documented difficulties with credit markets suggest the market for a sale might be slow, the board believes that the strategic location of the Complex will make it attractive to industry purchasers. The nature of the business and its assets and the potential attraction to a variety of parties make it difficult for the board to assess whether the sale of the business and its assets will be to a single or multiple purchasers. The sale process is being conducted by GVA Grimley, the company's valuation adviser, and discussions are taking place with various parties who have made indicative offers for all or part of the Complex.

Since there can be no guarantee of a sale, the board continues to pursue planning and development opportunities for the Complex. These include promoting the remaining mineral deposits and waste potential for inclusion in the LMDF and the LWDF and exploring with specialist advisers and HCC the potential for establishing a significant EfW facility utilising waste as a renewable fuel source. Should an EfW be consented and built, it would be capable of producing significant quantities of sustainable combined heat and power, in the form of thermal energy which could be used by HCC, and electricity for transmission to the grid. HCC has advised that it plans to have completed its work in respect of the LMDF and the LWDF by the end of 2009 following which the proposals will be subjected to a Public Inquiry expected to take place in the first half of 2010.

Going Concern

The directors are required to consider whether or not to adopt the financial statements on the basis that the company is a going concern. As part of its normal business practice the company prepares annual and longer term plans. In considering this information for both Water Hall Group plc, the company's controlling party, and the company (together the "Group") for 2009 and 2010 and having regard to existing cash resources, listed investments and the absence of any borrowings within the Group, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, a period not less than twelve months from the date of this report. The directors have received confirmation that the parent company does not intend to recall the inter-company debt for a period of at least twelve months from the date of these accounts unless the company has sufficient funds to repay the debt. For this reason they continue to adopt the going concern basis in preparing the Financial Statements.

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.

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.

Financial Instruments (continued)

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.

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 2008 and 2007 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.

Donations

The company made no charitable donations during the year (2007 - the company contributed £8,000 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 27.

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 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
Chairman
28 October 2009

Registered Office
Parallel House
32 London Road
Guildford
GU1 2AB

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 (IFRSs) as adopted by the European Union. The financial statements are required by law to be properly prepared in accordance with IFRSs as adopted by the European Union and the Companies Act 1985.

- 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. However, 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 are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

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. .

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 2008 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 are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the other information contained in the Annual Report as described in the contents section 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 2008 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985
- the information given in the Directors' Report is consistent with the financial statements.

Deloitte LLP

Deloitte LLP
Chartered Accountants and Registered Auditors
Reading, United Kingdom
28 October 2009

INCOME STATEMENT
For the year ended 31 December 2008

	Note	2008 £000	2007 £000
Continuing operations			
Revenue	5	**1,838**	1,839
Cost of sales		**(1,011)**	(473)
Gross profit		**827**	1,366
Administrative expenses		**(1,365)**	(1,272)
Other gains	6	**23**	-
Operating (loss)/profit	6	**(515)**	94
Finance costs	10	**(1,170)**	(1,322)
Loss before income tax		**(1,685)**	(1,228)
Income tax expense	11	**-**	-
Loss for the year from continuing operations		**(1,685)**	(1,228)
Discontinued operations			
Loss for the year from discontinued operations	5	**(60)**	(245)
Loss for the year	6, 19	**(1,745)**	**(1,473)**

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 2008

	Note	2008 £000	2007 £000
Assets			
Non-current assets			
Property, plant and equipment	12	**1,047**	1,041
Investments	13	**124**	124
		1,171	1,165
Current assets			
Trade and other receivables	14	**1,097**	963
Cash - escrow deposits	15	**1,326**	1,255
Cash and cash equivalents		**1**	-
		2,424	2,218
Non-current assets held-for-sale	16	**-**	63
Total assets		**3,595**	3,446
Equity and liabilities			
Share capital	17	-	-
Share premium	18	**24,938**	-
Retained earnings	19	**(25,985)**	(24,240)
Total equity		**(1,047)**	(24,240)
Liabilities			
Non-current liabilities			
Loan from parent company	20	-	22,997
Provision for liabilities and charges	21	**1,536**	1,749
		1,536	24,746
Current liabilities			
Trade and other payables	22	**2,681**	2,601
Provision for liabilities and charges	21	**425**	339
		3,106	2,940
Total liabilities		**4,642**	27,686
Total equity and liabilities		**3,595**	3,446

The financial statements of Water Hall (England) Limited, registered company number 02534209, were approved by the board on 28 October 2009 and signed on its behalf by:

R M Abdullah
Director

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2008

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 28.

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.

The directors are required to consider whether or not to adopt the financial statements on the basis that the company is a going concern. As part of its normal business practice the company prepares annual and longer term plans. In considering this information for both Water Hall Group plc, the company's controlling party, and the company (together the "Group") for 2009 and 2010 and having regard to existing cash resources, listed investments and the absence of any borrowings within the Group, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, a period not less than twelve months from the date of this report. The directors have received confirmation that the parent company does not intend to recall the inter-company debt for a period of at least twelve months from the date of these accounts unless the company has sufficient funds to repay the debt. For this reason they continue to adopt the going concern basis in preparing the Financial Statements.

2. ADOPTION OF NEW AND REVISED STANDARDS

In the current year, two Interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period. These are : IFRIC 11 IFRS 2 – *Group and Treasury Share Transactions* and IFRIC 14 IAS 19 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*. The adoption of these Interpretations has not led to any changes in the Company's accounting policies.
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 (and in some cases had not yet been adopted by the EU) :

IFRS 1 (amended) / IAS 27 (amended)	*Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
IFRS 2 (amended)	*Share-based Payment – Vesting Conditions and Cancellations*
IFRS 3 (revised 2008)	*Business Combinations*
IAS 1 (revised 2007)	*Presentation of Financial Statements*
IAS 23 (revised 2007)	*Borrowing Costs*
IAS 27 (revised 2008)	*Consolidated and Separate Financial Statements*
IAS 32 (amended) / IAS 1 (amended)	*Puttable Financial Instruments and Obligations Arising on Liquidation*
IFRIC 12	*Service Concession Arrangements*
IFRIC 15	*Agreements for the Construction of Real Estate*
IFRIC 16	*Hedges of a Net Investment in a Foreign Operation*
Improvements to IFRSs (May 2008)	

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 2008

3. ACCOUNTING POLICIES

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. 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 4.

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.

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 2008

3. 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.

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 2008

3.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 realisation 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. A deferred tax asset is recognised only to the extent that it is regarded probable that future taxable profits will be sufficient to utilise the available relief. Deferred tax assets and liabilities are not discounted.

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 2008

4. 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 and 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.

5. REVENUE & DISCONTINUED OPERATIONS

The company currently has one continuing activity and business segment; this is waste management. Until 2007 the company had been engaged in two business segments, namely waste management and quarry products.

	2008	2007
	£000	£000
Continuing operations		
Waste management	**1,838**	1,839
Discontinued operations		
Waste management	**183**	1,134
Quarry products	**5**	512
	188	1,646
Total Revenue	**2,026**	3,485

	2008	2007
	£000	£000
Discontinued operations		
Revenue	**188**	1,646
Expenses (net of other gains)	**(248)**	(1,891)
Loss before tax	**(60)**	(245)
Tax	**-**	-
Loss for year from discontinued operations	**(60)**	(245)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2008

6. LOSS FOR THE YEAR IS STATED AFTER CHARGING

	2008	2007
	£000	£000
Depreciation of property, plant and equipment (note 12)		
owned assets	188	60
Operating lease payments		
plant and equipment (including short term hire)	271	267
Gain on the disposal of property, plant and equipment :		
Continuing operations	(23)	(100)
Discontinued operations	(431)	-

The audit fees of the company are paid by its parent and the fees payable were £16,000 (2007 - £22,000)

7. EMPLOYEE BENEFIT EXPENSE

	2008	2007
	£000	£000
Staff costs:		
Wages and salaries	535	1,137
Social security costs	59	122
Pension costs - defined contribution	7	5
Redundancy and termination costs	99	31
	700	1,295

The average number of employees of the company during the year is:

	2008	2007
Waste management and quarry products	14	32
Administration	5	9
	19	41

	2008	2007
Key management compensation:	£000	£000
Salaries	70	63
Pension costs	2	2
Social security costs	8	7
	80	72

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2008

8. 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.

9. 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 £186,000 (2007 - £206,000).

10. FINANCE INCOME AND COSTS

	2008	2007
	£000	£000
Interest on escrow deposits	66	69
Unwinding of discount on provisions	(64)	(133)
Interest on intercompany loan	(1,172)	(1,258)
	(1,236)	(1,391)
Net finance cost	(1,170)	(1,322)

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 2009 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 2008

11. INCOME TAX EXPENSE

	2008	2007
	£000	£000
Tax charged in the income statement	**-**	-

The tax charge for the year is £nil (2007 - £nil). The standard rate of tax for the year is 28.5% (2007 – 30%). The actual tax assessed for the year differs from the standard rate for the reasons set out in the following reconciliation:

	2008	2007
	£000	£000
Loss on ordinary activities before taxation	**(1,745)**	(1,473)
At standard rate of corporation tax of 28.5% (2007 – 30%)	**497**	442
Effect of:		
Profits chargeable as capital gains (relieved by utilisation of capital losses)	**129**	30
Group relief	**(394)**	(222)
Utilisation of trading losses	**(205)**	(335)
Short-term timing differences	**4**	13
Depreciation in excess of capital allowances	**(31)**	72
	-	-

A deferred tax asset of £643,000 (2007 - £633,000) 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 2008

12. PROPERTY, PLANT AND EQUIPMENT

	Landfill Resources	Land and Buildings	Plant and equipment	Total
Cost	**£000**	**£000**	**£000**	**£000**
At 1 January 2007	10,735	441	4,034	15,210
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)
At 31 December 2007	5,916	467	2,524	8,907
Additions	-	211	-	211
Disposals	-	-	(394)	(394)
At 31 December 2008	**5,916**	**678**	**2,130**	**8,724**
Depreciation and impairment				
At 1 January 2007	10,091	101	3,918	14,110
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)
At 31 December 2007	5,306	101	2,459	7,866
Depreciation charge	130	10	48	188
Disposals	-	-	(377)	(377)
At 31 December 2008	**5,436**	**111**	**2,130**	**7,677**
Net book value 2008	**480**	**567**	**-**	**1,047**
Net book value 2007	610	366	65	1,041

Landfill resources include costs of £1,438,000 (2007 - £1,438,000) and accumulated depreciation of £1,286,000 (2007 - £1,245,000) arising from the capitalisation of the IAS37 asset being the unexpended portions of the company's future restoration costs.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2008

13. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

	2008	2007
Cost	**£000**	£000
At 1 January and 31 December	6,023	6,023
Provision for diminution in value		
At 1 January and 31 December	(5,899)	(5,899)
Carrying value		
At 31 December	124	124

The principal subsidiary undertakings are shown in note 25. 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.

14. TRADE AND OTHER RECEIVABLES

	2008	2007
	£000	£000
Current assets:		
Trade receivables	**417**	439
Other receivables	**49**	96
Landfill engineering costs	**631**	428
	1,097	963

	2008	2007
Trade receivables, net of allowances	**£000**	£000
Trade receivables	**510**	529
Allowance for doubtful debts	**(93)**	(90)
	417	439

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2008

14.TRADE AND OTHER RECEIVABLES (CONTINUED)

Trade receivables, net of allowances
Total trade receivables (net of allowances) at 31 December 2008 amounted to £417,000 (2007 - £439,000).

The average credit period taken on sales is 56 days (2007 - 52 days). No interest is charged on the receivables. An allowance has been made for estimated irrecoverable amounts from sales of £93,000 (2007 - £90,000). 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 £179,000 (2007 - £258,000) 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 48 days (2007 - 49 days) and substantially all have been collected since the year end.

Ageing of past due debt but not impaired receivables	**2008**	2007
	£000	£000
30-60 days	**161**	227
60-90 days	**18**	31
Total	**179**	258
Weighted average (days)	**48**	49

Movement in the allowance for doubtful debts	**2008**	2007
	£000	£000
Balance at the beginning of the period	**90**	105
Impairment losses recognised	**23**	14
Amounts written off as uncollectible	**-**	(9)
Impairment losses reversed	**(20)**	(20)
Balance at the end of the period	**93**	90

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 2008

15. CASH – ESCROW DEPOSITS

Cash at bank – escrow deposit comprises £1,326,000 (2007 - £1,255,000) deposited by Water Hall (England) Ltd in five (2007 – 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

	2008 £000	2007 £000
Plant and equipment attributable to discontinued activities	-	63

17. SHARE CAPITAL

	2008 £	2007 £
Authorised		
100 Ordinary shares of £1 each	100	100
Allotted, called up and fully paid		
At 1 January	2	2
Issued in December 2008	98	-
At 31 December	100	2

During December 2008 98 ordinary shares were subscribed for by the ultimate parent undertaking, Water Hall Group plc, at a price of £254,472.15 per share. Settlement was effected by capitalisation of debt owed by the company to Water Hall Group plc.

18. SHARE PREMIUM

	2008 £000	2007 £000
At 1 January	-	-
Premium on ordinary shares issued in December 2008 (note 17)	24,938	-
At 31 December	24,938	-

19. RETAINED EARNINGS

	2008 £000	2007 £000
At 1 January	(24,240)	(22,767)
Loss for the year	(1,745)	(1,473)
At 31 December	(25,985)	(24,240)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2008

20. NON-CURRENT LIABILITIES – LOAN FROM PARENT COMPANY

	2008	2007
	£000	£000
Parent company loan	-	22,997

The parent company loan was unsecured and bore interest at between base rate and base rate plus 5%. Repayment was effected in December 2008 by capitalisation of the loan (note 17).

21. PROVISIONS FOR LIABILITIES AND CHARGES

	2008	2007
	£000	£000
At 1 January	**2,088**	2,215
Additional provisions	**28**	10
Used during the year	**(219)**	(270)
Unwinding of discount	**64**	133
At 31 December	**1,961**	2,088

	2008	2007
Analysis of total provisions:	**£000**	£000
Current	**425**	339
Non-current	**1,536**	1,749
	1,961	2,088

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 2009 and 2069.

22. TRADE AND OTHER PAYABLES

	2008	2007
Current liabilities:	**£000**	£000
Bank overdraft (secured)	-	31
Trade payables	**176**	227
Amounts owed to ultimate parent undertaking and fellow subsidiary undertaking	**2,312**	1,967
Amounts owed to subsidiary undertaking	**124**	174
Other taxation and social security	**51**	107
Other payables	-	41
Accruals and deferred income	**18**	54
	2,681	2,601

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2008

22. TRADE AND OTHER PAYABLES (CONTINUED)

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 39 days (2007 – 39 days). It is the company's policy that payments to suppliers are made substantially in accordance with those terms and conditions agreed between the company and its suppliers, provided all trading terms and conditions have been complied with. The directors consider that the carrying amount of trade payables approximates to their fair value.

23. 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 £7,000 (2007: £5,000). The Group does not operate any defined benefit pension schemes.

24. COMMITMENTS

(a) Operating lease commitments
Future minimum lease payments under non-cancellable operating leases as at 31 December 2008 are as follows:

	2008	2007
	£000	£000
No later than 1 year	14	5
Later than 1 year and no later than 5 years	12	1
	26	6

(b) Capital commitments
At 31 December 2008 the company had no commitments not provided for in the accounts (2007 - £nil).

25. PRINCIPAL SUBSIDIARY UNDERTAKINGS

Company	Activity
Star Quarry Products Limited	Dormant
Warecrete Limited	Dormant

The undertakings are registered in England and Wales. They are wholly owned and their shares are fully paid.

26. CONTINGENT LIABILITIES

A further payment of £5,900 is due to be paid into the escrow accounts in 2009 (2007 - £4,200 was due to be paid into the escrow accounts in 2008).

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2008

27. POST BALANCE SHEET EVENTS

In April 2009 the company commenced the marketing process whereby it invited offers for its inert waste activities, principally the currently operating Bunkers Hill landfill site, its materials recycling facilities and its land at the Water Hall Complex. At the date of approval of these accounts the disposal process is ongoing and discussions are taking place with various parties who have made indicative offers for all or part of the Complex. It is not practicable to comment on either the likely outcome or the potential financial impact of these discussions. Should an acceptable offer be received for the entire business and property the sale would require shareholder consent at General Meeting of the members of the ultimate parent undertaking, Water Hall Group plc, and full details of the sale and its financial effects would be provided in a circular to those members.

28. 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.