

**County Environmental Services Limited**

**Directors' report and financial  
statements**

**Registered number 2619506**

**28 February 2007**

TUESDAY



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## Directors' report

The directors present their report and the audited financial statements for the year ended 28 February 2007

### Principal activities

The principal activities of the company were the provision of waste disposal facilities by the operation and management of landfill sites, together with related activities including transport

### Business review

The trading results were set out in the profit and loss account shown on page 7

The profit before taxation for the year to 28 February 2007 was £17,644 (18 month period to 28 February 2006 loss £4,417,128)

On 16 October 2006 the Company's ultimate holding entity, Cornwall County Council ("the Authority"), awarded an Integrated Waste Management contract for Cornwall to Sita Cornwall Limited ("SCL") This included agreements between the various parties and services commenced on 01 November 2006

The effects of these agreements were that

- the Freehold sites owned by the Company as listed in Table A below were transferred to the Authority,
- applications were made to the Environment Agency to transfer the Company's operational site licences to the Authority and SCL,
- the freehold properties at Mabe and Dudnace Lane, Pool which were owned by the Company's subsidiary, Sid Knowles Waste Limited (SKW) were transferred to the Authority,
- the Company entered into a Sale and Purchase Agreement in order to sell its shareholding in SKW to SCL,
- the Company's lease, under lease and licence agreements for occupation of sites as listed in Table B below were surrendered,
- the Company entered into a termination agreement in relation to its existing contracts as listed in Table C below,
- on termination of the Waste Disposal Contract, the Authority amended the guarantee to the Company to extend the Expiry Date to the date upon which the Company is struck off the Companies Registrar. Save, for this amendment, the guarantee is in the same form as that made on 22 December 2005,
- the Company's responsibilities for site restoration and aftercare provisions and related future site liabilities transferred to the Authority and SCL,
- the Company agreed to terminate all existing bond facilities provided by Barclays Bank in relation to the Landfill sites at United Mines and Connon Bridge,
- the Company agreed to enter into a deed of novation between United Mines Energy Limited, Connon Bridge Energy Limited, CLPE 1991 Limited, CLP Envirogas Limited, the Authority, The Governor and the Company of the Bank of Scotland Limited, SCL (as transferee) and the Company (as transferor) relating to the Landfill Gas Agreements,
- the Company entered into an asset sale agreement which transferred the title of the Company's moveable fixed assets (e.g. plant & equipment, fixtures and fittings, vehicles etc),
- all pension scheme liabilities including future liabilities were transferred to the Authority by agreement between the Authority and the LAWDC Pension scheme trustees,

The above arrangements were transacted for a nominal consideration

The detailed legal processes necessary to give effect to these agreements are ongoing but are expected to result in the above transfers being legally completed as stated above

The Sid Knowles Waste Limited joint venture undertaking, Rag and Bone 2000 Limited had ceased trading in November 2005 and as at 28 February 2007 arrangements were being made for an orderly winding up of the affairs of the business

## Director's report *(continued)*

The sale of Sid Knowles Waste Limited's shareholding in Dave Peat Waste Limited was completed on 31 March 2006

The Company therefore ceased to trade and commenced an orderly winding up of the business on 01 November 2006

**Table A – Freehold Properties transferred to the Authority**

Item	Property
1	United Mines Landfill Site
2	Land at Tiscott Woods, Bude
3	Saltash Civic Amenity Site

**Table B – Properties surrendered**

Item	Property	Lessor/Licensor
1	Bodmin HWRC Lease	the Authority
2	Helson CA Site Lease	the Authority
3	Bangors Quarry CA Site, Launceston Lease	the Authority
4	Bowthick CA Site, Tintagel Lease	the Authority
5	Connon Bridge Landfill Site Lease	the Authority
6	Newquay Refuse Transfer Station & CA Site Licence	Restormel BC
7	St Austell, CA Site Underlease	the Authority

**Table C – Contracts Terminated**

Item	Contract	Other party/parties
1	Waste Disposal contract agreed in May 1992 and amended on 13 September 2005	the Authority
2	Undated and unsigned Civic Amenity contract	the Authority
3	Agency agreement in respect of CA sites at Connon Bridge, Bangors, St Austell and Wheal Prosper	Recycling Westcountry
4	Agency agreement in respect of Newquay CA site	Recycling Westcountry
5	Agency agreement in respect of United Mines CA site	Recycling Westcountry
6	Agency agreement in respect of CA sites at St Erth, Saltash and Helston	Recycling Westcountry

## Director's report *(continued)*

### Proposed dividend

The directors do not recommend the payment of a dividend

### Directors and directors' interests

The directors who held office during the period were as follows

DJ Bailey	(resigned 01 November 2006)
Mrs BJ Comber	(resigned 01 November 2006)
Mrs AM Kerridge	(resigned 25 September 2006)
JA Lakeman	(resigned 31 October 2006)
BJ Rawlins	(resigned 01 November 2006)
Mrs SF Stedwill	
J Jacques	(appointed 01 November 2006)

### Donations

No charitable donations were paid during the period (2006 £315)

### Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information

By order of the board

  
Joseph F Jacques  
Director

County Solicitor's Office  
New County Hall  
Treyew Road  
Truro  
Cornwall  
TR1 3AY

26 July 2007

## Statement of directors' responsibilities

The directors are responsible for preparing the Directors' 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

The company and parent company financial statements are required by law to give a true and fair view of the state of affairs of the company and the parent company and of the profit or loss for that period

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,

As explained in note 1 to the financial statements, the directors do not believe the going concern basis to be appropriate and these financial statements have not been prepared on that basis

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities



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United Kingdom

## **Independent auditors' report to the members of County Environmental Services Limited**

We have audited the financial statements of County Environmental Services Limited for the year ended 28 February 2007 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses, the Reconciliation of Movements in Shareholders' Funds and the related notes. These financial statements have not been prepared on the going concern basis for the reasons set out in note 1 to the financial statements but 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 auditor's 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 financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 4.

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 Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

**Independent auditors' report to the members of County Environmental Services Limited** *(continued)*

**Opinion**

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 28 February 2007 and of its profit 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

**Emphasis of matter – uncertain tax liability**

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures made in note 10 to the financial statements concerning the uncertainty over the taxation charge for the charge period and consequential tax liability arising on the transfer of the business. The ultimate tax liability cannot presently be determined, and a provision for the directors' best estimate of the tax liability has been recognised in the financial statements

KPMG LLP

KPMG LLP  
Chartered Accountants  
Registered Auditor

13 August 2007



**Profit and loss account**  
*for the year ended 28 February 2007*

	<i>Note</i>	<b>Year ended 28 February 2007</b>	<b>18 months to 28 February 2006</b>
		<b>£</b>	<b>As restated £</b>
Turnover	2	13,401,490	30,455,120
Cost of sales		(9,564,932)	(27,879,130)
<b>Gross profit</b>		<b>3,836,558</b>	<b>2,575,990</b>
Administrative expenses		(1,238,541)	(1,527,306)
<b>Operating profit</b>		<b>2,598,017</b>	<b>1,048,684</b>
Loss on termination of operation	9	(3,220,085)	(5,515,267)
Profit on sale of investment	12	618,947	-
Interest receivable and similar income	6	76,765	207,195
Interest payable and similar charges	7	(29,000)	(113,740)
Other finance costs	8	(27,000)	(44,000)
<b>Profit/loss on ordinary activities before taxation</b>	3	<b>17,644</b>	<b>(4,417,128)</b>
Tax on loss on ordinary activities	10	327,965	(2,182,327)
<b>Loss for the financial year/period</b>		<b>345,609</b>	<b>(6,599,455)</b>

A statement of movements on reserves is given in note 17 All operations became discontinued at 31 October 2006


**Statement of total recognised gains and losses**  
*for the year ended 28 February 2007*

	<b>Year ended 28 February 2007</b>	<b>18 months to 28 February 2006</b>
	<b>£</b>	<b>As restated £</b>
<b>Profit/loss for the financial year/period</b>	<b>345,609</b>	<b>(6,599,455)</b>
Actuarial gain/(loss) recognised on pension scheme	91,000	(378,000)
<b>Total recognised gains/losses relating to the financial year/period</b>	<b>436,609</b>	<b>(6,977,455)</b>
Prior year adjustment (note 18)	(1,271,000)	
<b>Total losses recognised since the last annual report</b>	<b>(834,391)</b>	

**Balance sheet**  
*at 28 February 2007*

	Note	2007		2006 As Restated	
		£	£	£	£
<b>Current assets</b>					
Assets held for resale	11	221,394		272,085	
Debtors	13	790,666		2,220,903	
Investments	12	1		1,100,009	
Cash at bank and in hand		776,234		1,469,538	
		<u>1,788,295</u>		<u>5,062,535</u>	
<b>Creditors: amounts falling due within one year</b>	14	<u>(3,516,840)</u>		<u>(5,206,130)</u>	
<b>Net current liabilities</b>			<b>(1,728,545)</b>		<b>(143,595)</b>
<b>Provisions for liabilities and charges</b>	15		<b>(136,742)</b>		<b>(887,301)</b>
<b>Net liabilities – excluding pension liability</b>			<b>(1,865,287)</b>		<b>(1,030,896)</b>
<b>Net pension deficit</b>	18		<b>-</b>		<b>(1,271,000)</b>
<b>Net liabilities – including pension liability</b>			<b>(1,865,287)</b>		<b>(2,301,896)</b>
<b>Capital and reserves</b>					
Called up share capital	16		<b>3,093,250</b>		<b>3,093,250</b>
Profit and loss account	17		<b>(4,958,537)</b>		<b>(5,395,146)</b>
<b>Equity shareholders' deficit</b>			<b>(1,865,287)</b>		<b>(2,301,896)</b>

These financial statements were approved by the board of directors on 26 July 2007 and were signed on its behalf by

  
**Joseph F Jacques**  
Director

**Cash flow statement**  
*for the year ended 28 February 2007*

	<i>Note</i>	<b>Year ended 28 February 2007 £</b>	<b>18 months to 28 February 2006 £</b>
Cashflow from operating activities	(a)	3,017,121	2,175,642
Returns on investments and servicing of finance	(b)	70,085	93,455
Taxation	(c)	(44,474)	(1,035,018)
Capital expenditure and financial investment	(d)	(3,736,036)	(4,417,922)
		<hr/>	<hr/>
Decrease in cash in the period		(693,304)	(3,183,843)
		<hr/>	<hr/>

**Notes to cash flow statement**  
*for the year ended 28 February 2007*

**(a) Reconciliation of operating profit to operating cash flow**

	Year ended 28 February 2007 £	18 months to 28 February 2006 As restated £
Operating profit	2,598,017	1,048,684
Adjustment for FRS17 pension movement included in staff costs	49,000	(29,000)
Depreciation charges and site costs written off	-	3,549,648
Loss on sale of fixed assets	-	104
Decrease in debtors	1,430,237	699,415
Decrease in creditors	(1,772,170)	(1,603,874)
Decrease in investments	1,100,008	-
Decrease in provisions excluding redundancy provision dealt with in loss in termination	(387,971)	(1,489,335)
<b>Net cash inflow from operating activities</b>	<b>3,017,121</b>	<b>2,175,642</b>

**(b) Returns on investments and servicing of finance**

	Year ended 28 February 2007 £	18 months to 28 February 2006 £
Interest received	76,765	207,195
Interest paid	(6,680)	(113,740)
	<b>70,085</b>	<b>93,455</b>

**(c) Taxation**

	Year ended 28 February 2007 £	18 months to 28 February 2006 £
UK Corporation Tax paid	(44,474)	(1,035,018)

**(d) Capital expenditure and financial investment**

	Year ended 28 February 2007 £	18 months to 28 February 2006 £
Payments to acquire tangible fixed assets	(4,361,483)	(9,976,806)
Receipts from sale of tangible fixed assets	6,500	5,558,884
Consideration for sale of trade investment	618,947	-
	<b>(3,736,036)</b>	<b>(4,417,922)</b>

**Notes to cash flow statement** *(continued)*  
 for the year ended 28 February 2007

(e) Analysis of net debt

	Cash at bank and in hand £
At beginning of period	1,469,538
Cash outflow	(693,304)
	<hr/>
At end of period	776,234
	<hr/>

(f) Reconciliation of net cashflow to movement in net debt

	Year ended 28 February 2007 £	18 months to 28 February 2006 £
Decrease in cash in the period and change in net debt resulting from cash flows	(693,304)	(3,183,843)
Net debt at the start of the period	1,469,538	4,653,381
	<hr/>	<hr/>
Net debt at the end of the period	776,234	1,469,538
	<hr/>	<hr/>

**Reconciliation of movements in equity shareholders' funds**  
*for the year ended 28 February 2007*

	Year ended 28 February 2007 £	18 months to 28 February 2006 As restated £
Profit/loss for the financial period	345,609	(6,599,455)
Other recognised gains and losses relating to the year/period	91,000	(378,000)
	<hr/>	<hr/>
Net increase/(deduction) to equity shareholders' funds	436,609	(6,977,455)
Opening equity shareholders' (deficit)/funds (originally deficit of £1,030,896 before deducting prior period adjustment of £1,271,000)	(2,301,896)	4,675,559
	<hr/>	<hr/>
Closing equity shareholders' deficit	(1,865,287)	(2,301,896)
	<hr/>	<hr/>

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements, except for the adoption of FRS 17 *Retirement benefits*, the effect of which is discussed in note 18 to the financial statements

#### *Basis of preparation*

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules

The directors' made a decision prior to 28 February 2006 to cease trading following the termination of the municipal waste disposal contract between the Company's ultimate holding entity, Cornwall County Council and the Company and its subsidiaries on 31 October 2006. As a result the financial statements for the prior period were prepared on a non going concern basis and the current year has also been prepared on a non going concern basis

The impact of adopting a non going concern basis is that fixed assets have been reclassified as assets held for sale within current assets and have been restated to reflect their expected recoverable amounts where this is lower than the carrying amount of assets. Provision has been made for any foreseeable losses and costs cessation. Gains on cessation are accounted for as they arise

The company is exempt from the requirement to prepare group accounts by virtue of its size under the provision of section 248 of the Companies Act 1985. These financial statements present information about the company as an individual undertaking and not about its group

#### *Pensions*

The company has three pension schemes which are made available to some of the employees. One scheme provides benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company in an independently administered fund. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality bond of similar term and currency to the liability

The second scheme is a company personal pension scheme. Contributions to the scheme are charged to the profit and loss account

The third option is a stakeholder scheme but the company makes no contributions in respect of this scheme

At the cessation of trade the ultimate holding company, Cornwall County Council, has agreed to assume responsibility for the Final Salary pension scheme and honour all of the company's liabilities in this regard. Consequently a settlement gain has been recognised in the year ended 28 February 2007

#### *Leases*

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the income and expenditure account, and the capital element which reduces the outstanding obligation for future instalments. All other leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease

#### *Taxation*

The charge for taxation is based on the profit for the period. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19. Deferred tax assets are only recognised to the extent that it is more likely than not that there will be suitable taxable profits against which the deferred tax asset can be recovered in future periods

## Notes (continued)

### 1 Accounting policies (continued)

#### Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the period including landfill tax

### 2 Analysis of turnover and loss on ordinary activities before taxation

All turnover and loss on ordinary activities before taxation arose from the principal activity of providing waste disposal facilities by the operation and management of landfill sites, together with related activities including transport

### 3 Profit / (Loss) on ordinary activities before taxation

	Year ended 28 February 2007 £	18 months to 28 February 2006 £
<i>Profit / (Loss) on ordinary activities before taxation is stated after charging</i>		
Auditors' remuneration		
Audit services	23,000	22,648
Other services relating to taxation	30,000	27,000
Impairment of Freehold land and buildings	43,385	3,549,658
Hire of plant and machinery – operating leases	1,382,878	3,663,837
Hire of motor vehicles (rentals)	12,014	64,412
	<u>          </u>	<u>          </u>

### 4 Remuneration of directors

	Year ended 28 February 2007 £	18 months to 28 February 2006 £
Directors' remuneration	56,615	375,300
Contributions to pension schemes	8,541	64,201
Compensation for loss of office	32,411	454,302
	<u>          </u>	<u>          </u>
	97,567	893,803
	<u>          </u>	<u>          </u>

	Number of directors	
	2007	2006
Retirement benefits are accruing to the following number of directors under a defined benefit scheme	-	3
	<u>          </u>	<u>          </u>

The remuneration of the highest paid director was £56,615 (2006 £158,010) and company pension contributions of £8,541 (2006 £174,010) were made to a defined benefit contribution scheme on his behalf



## Notes (continued)

### 5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the period, analysed by category, was as follows

	Number of employees	
	2007	2006
Office and management	17	32
Drivers and site staff	33	51
	<u>50</u>	<u>83</u>

The aggregate payroll costs of these persons were as follows

	Year ended 28 February 2007 £	18 months to 28 February 2006 £
Wages and salaries	1,479,461	3,260,391
Social security costs	133,610	394,406
Other pension costs	93,294	198,235
	<u>1,706,365</u>	<u>3,853,032</u>

### 6 Interest receivable and similar income

	Year ended 28 February 2007 £	18 months to 28 February 2006 £
Bank and deposit account interest	46,176	89,474
Amounts receivable on other loans	30,589	117,721
	<u>76,765</u>	<u>207,195</u>

### 7 Interest payable and similar charges

	Year ended 28 February 2007 £	18 months to 28 February 2006 £
On bank loans and overdrafts	-	5,772
Unwinding of discount	-	107,968
Interest on loan from holding entity	29,000	-
	<u>29,000</u>	<u>113,740</u>

**Notes (continued)**

**8 Other finance costs**

	Year ended 28 February 2007 £	18 months to 28 February 2006 £
Net pension finance costs	27,000	44,000

**9 Loss on termination of operation**

	Year ended 28 February 2007 £	18 months to 28 February 2006 £
Transfer of pension deficit	1,256,000	-
Impairment	(43,385)	(10,107,205)
Release of provisions	-	5,046,240
Redundancy costs	(52,411)	(454,302)
Pension costs in respect of early retirement	(18,000)	-
Expenditure on landfill sites	(4,362,289)	-
	(3,220,085)	(5,515,267)

**10 Taxation**

	Year ended 28 February 2007 £	18 months to 28 February 2006 £
<i>UK Corporation Tax</i>		
Current tax on income for the period	105,304	1,458,656
Adjustment in respect of prior periods	-	846
	105,304	1,459,502
<i>Deferred taxation (note 15)</i>		
Origination/reversal of timing differences	(247,312)	722,825
Adjustment in respect of prior periods	(185,687)	-
	(327,965)	2,182,327

The timing differences relate primarily to a release of part of a provision in connection with capital gains originally set up in the period ending 28 February 2006

The company and its advisers are in correspondence with H M Revenue & Customs ("HMRC") regarding the extent of the tax liabilities arising as a result of various agreements made following a decision by Cornwall County Council to award an Integrated Waste management contract to Sita Cornwall Limited, an unrelated company to County Environmental Services Limited

The valuation for tax purposes of various assets covered by these agreements is uncertain. The directors have used their best estimate of these valuations in calculating the tax charge and tax liabilities recorded in these financial statements. The outcome of negotiations with HMRC is uncertain. The extent of any adjustment to the tax charge and tax liabilities arising cannot be estimated.



## Notes (continued)

### 10 Taxation (continued)

#### Factors affecting the tax charge for the current period

The current tax charge for the period is higher (2006 higher) than the standard rate of corporation tax in the UK (30%, 2006 30%) The differences are explained below

	Year ended 28 February 2007 £	18 months to 28 February 2006 As restated £
<i>Current tax reconciliation</i>		
Profit/loss on ordinary activities before tax	17,644	(4,417,128)
Current tax at 30% (2006 30 %)	5,293	(1,325,138)
<i>Effects of</i>		
Expenses not deductible for tax purposes	1,335,563	644,982
Origination and reversal of timing differences – short term timing differences primarily relate to restoration and other provisions	247,312	(952,973)
Capital allowances for period in excess of depreciation	(1,156,395)	3,087,285
Adjustments to tax charge in respect of previous periods	-	846
Post cessation losses	39,232	-
Impairment	(10,435)	-
Marginal relief	(1,536)	-
Effect of adoption of FRS 17 recognition and measurement requirements	(354,000)	4,500
Total current tax charge (see above)	105,304	1,459,502

# Notes (continued)

## 11 Assets held for resale

	Freehold land & buildings (including Landfill sites) £	Plant and machinery £	Fixtures, fittings, tools and equipment £	Total £
<b>Cost</b>				
At beginning of period	26,416,495	1,627,873	312,678	28,357,046
Additions	4,355,252	3,100	3,131	4,361,483
Disposals	(30,506,968)	(1,630,973)	(315,809)	(32,453,750)
At end of period	264,779	-	-	264,779
<b>Depreciation</b>				
At beginning of period	26,151,716	1,620,567	312,678	28,084,961
Disposals	(26,151,716)	(1,620,567)	(312,678)	(28,084,961)
Impairment	43,385	-	-	43,385
At end of period	43,385	-	-	43,385
<b>Net book value</b>				
At 28 February 2007	221,394	-	-	221,394
At 28 February 2006	264,779	7,306	-	272,085

The total cost of landfill sites and freehold land & buildings above includes £221,394 (2006 £264,779) of freehold land which is not depreciated

The impairment relates to land being written down to its recoverable value

The net book value of land and buildings comprises

	28 February 2007 £	28 February 2006 £
Freehold land	221,394	264,779

## Notes (continued)

### 12 Current asset investments

	Shares in subsidiary undertakings	Loans to subsidiary undertakings	Other investments other than loans	Total
	£	£	£	£
<i>Cost</i>				
At beginning of period	9	1,099,999	1	1,100,009
Repayment of loan	-	(1,099,999)	-	(1,099,999)
Sale of subsidiary undertaking	(1)	-	-	(1)
Impairment	(8)	-	-	(8)
	<u>-</u>	<u>-</u>	<u>1</u>	<u>1</u>

The company disposed of its interest in Sid Knowles Waste Limited on 31 October 2006 when it entered into a Sale and Purchase agreement with SITA Cornwall Limited. There was a profit on disposal of the investment of £618,947.

In connection with that disposal the company acquired the 100% of £1 ordinary shares in Rag & Bone 2000 Limited from Sid Knowles Waste Limited. These shares were acquired for a nominal value and were immediately impaired to £nil.

The undertakings in which the company's interest at the period end is more than 20% are as follows:

Subsidiary undertakings	Country of incorporation	Principal activity	Class and percentage of shares held
Rag and Bone 2000 Limited	England and Wales	Transport & waste disposal services	£1 ordinary shares 100%
Waste Not Limited	England and Wales	Dormant	£1 ordinary shares 100%
Green Park (Cornwall) Limited	England and Wales	Dormant	£1 ordinary shares 100%
EN1 Limited	England and Wales	Dormant	£1 ordinary shares 100%
CES Group Limited	England and Wales	Dormant	£1 ordinary shares 100%
CES Landfill Limited	England and Wales	Dormant	£1 ordinary shares 100%

### 13 Debtors

	28 February 2007 £	28 February 2006 £
Trade debtors	543,724	1,551,937
Amounts owed by group undertakings	-	142,320
Prepayments and accrued income	66,580	494,775
Other debtors	180,362	31,871
	<u>790,666</u>	<u>2,220,903</u>

### 14 Creditors: amounts falling due within one year

	28 February 2007 £	28 February 2006 £
Trade creditors	247,862	1,003,069
Amount owed to holding entity	1,911,160	-
Amount owed to group undertakings	-	181,278
Other creditors including taxation and social security		
Corporation Tax	1,204,221	1,143,661
Other taxes and social security	6,756	2,328,844
Accruals and deferred income	146,841	549,278
	<u>3,516,840</u>	<u>5,206,130</u>

## Notes (continued)

### 15 Provisions for liabilities and charges

	Deferred tax £	Pollution incident £	Redundancy provision £	Pension provision £	Total £
At beginning of period	432,999	-	454,302	-	887,301
Release of capital gain crystallised during year	(432,999)	-	-	-	(432,999)
Charge to profit and loss account in the year	-	17,269	52,411	18,000	87,680
Utilisation of provisions	-	-	(405,240)	-	(405,240)
Credit recognised in statement of total recognised gains and losses	-	-	-	-	-
<b>At end of period</b>	<b>-</b>	<b>17,269</b>	<b>101,473</b>	<b>18,000</b>	<b>136,742</b>

There is an unprovided deferred tax asset of £18,661 (2006 £2,808,420). This asset has not been recognised as it is unlikely that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

### 16 Called up share capital

	28 February 2007 £	28 February 2006 £
<b>Authorised</b>		
Ordinary shares of £1 each	3,093,250	3,093,250
<b>Allotted, called up and fully paid</b>		
Ordinary shares of £1 each	3,093,250	3,093,250

### 17 Reserves

		Profit and loss account £
At beginning of period as previously restated		(4,124,146)
Prior year adjustment (see note 18)		(1,271,000)
At beginning of period as restated		(5,395,146)
Profit for year		345,609
Actuarial gains recognised on pension scheme		91,000
<b>At end of period</b>		<b>(4,958,537)</b>
<b>Pension reserve</b>	<b>28 February 2007 £</b>	<b>28 February 2006 £</b>
Profit and loss account excluding pension deficit	(4,958,537)	(4,124,146)
Pension deficit	-	(1,271,000)
<b>Profit and loss reserve</b>	<b>(4,958,537)</b>	<b>(5,395,146)</b>





## Notes (continued)

### 18 Pension scheme

With effect from periods commencing on or after 1 January 2005, the company is required to fully adopt FRS 17 *Retirement benefits*. As a result of this change of accounting policy the prior year figures have been restated as follows

Balance sheet	Pension liability	Profit and Loss
	£	£
28 February 2006 as previously reported	-	(4,124,146)
Adoption of FRS 17	(1,271,000)	(1,271,000)
	<hr/>	<hr/>
28 February 2006 restated	(1,271,000)	(5,395,146)
	<hr/>	<hr/>

Profit and loss account	Staff costs	Other finance costs	Loss for the financial period
	£	£	£
28 February 2006 as previously reported	(198,235)	-	(6,584,455)
Adoption of FRS 17	29,000	(44,000)	(15,000)
	<hr/>	<hr/>	<hr/>
28 February 2006 restated	(169,235)	(44,000)	(6,599,455)
	<hr/>	<hr/>	<hr/>

The impact on the current year results was an increase in staff costs of £49,000 together with an increase in other finance income of £27,000. The pension deficit at 31 October 2006 was £1,256,000 and this was transferred to the ultimate holding company and the credit was recognised in the profit and loss account.

A number of employees are members of either a multi company defined benefit pension scheme or a company personal pension scheme.

#### Defined benefit scheme

In accordance with FRS 17 the company is required to fully adopt the standard for periods commencing on or after 1 January 2005. With effect from 1 November 2006 the company's liabilities in respect of this scheme were passed to Cornwall County Council who have agreed to fully underwrite the scheme and assume full responsibility for any deficit within the scheme. For the purpose of this note the valuation was updated by the actuary on an FRS 17 basis as at 31 October 2006, 28 February 2006 and 31 August 2004. The deficit as at 31 October 2006 and the subsequent transfer to the holding entity is provided below.

As the scheme is closed to new entrants, the service cost, calculated on the Project Unit method required under FRS 17, will be expected to rise over time as a percentage of the salaries of members as the average age of the remaining active members increases. The major assumptions used in this valuation were:

	28 Feb 2007	31 Oct 2006	28 Feb 2006	31 Aug 2004
Rate of increase in salaries	N/A	N/A	4.0%	4.0%
Rate of increase in pensions in payment (Limited Price Indexation)	N/A	3.1%	3.0%	3.0%
Discount rate applied to scheme liabilities	N/A	4.9%	4.7%	5.6%
Inflation assumption	N/A	3.1%	3.0%	3.0%

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

## Notes (continued)

### 18 Pension scheme (continued)

#### Scheme assets

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were

	Long term rate of return 31 Oct 2006	Value at 31 Oct 2006 £000	Long term rate of return 28 Feb 2006	Value at 28 Feb 2006 £000	Long term rate of return 31 Aug 2004	Value at 31 Aug 2004 £000
Equities	7.00%	2,222	6.70%	2,166	7.20%	1,598
Bonds - government	4.50%	461	4.20%	468	4.45%	378
- corporate	5.40%	300	4.90%	298	5.15%	233
Cash	5.25%	165	4.50%	72	4.30%	54
Total value of assets		3,148		3,004		2,263
Present value of scheme liabilities		(4,404)		(4,275)		(3,141)
Deficit in the scheme – pension liability		(1,256)		(1,271)		(878)
Transfer to holding entity		1,256		-		-
Net pension liability		-		(1,271)		(878)

The amount of this net pension liability would have a consequential effect on reserves. However, with effect from 1 November 2006, the company's liabilities in respect of this scheme were passed to Cornwall County Council.

#### Movement in deficit during the period

	Year ended 28 February 2007 £000	18 months to 28 February 2006 £000
Deficit in scheme at beginning of period	(1,271)	(878)
Service cost	(105)	(166)
Contributions paid	81	220
Other finance cost	(27)	(44)
Other costs	(25)	(25)
Actuarial gain/(losses)	91	(378)
Settlement gain - transfer to holding entity	1,256	-
Deficit in the scheme at end of period	-	(1,271)

## Notes (continued)

### 18 Pension scheme (continued)

#### Pension costs for defined benefit schemes

##### Analysis of other pension costs charged in arriving at operating profit

	Year ended 28 February 2007 £000	18 months to 28 February 2006 £000
Current service cost	72	166
Past service cost	33	-
	<u>105</u>	<u>166</u>

##### Analysis of amounts included in other finance costs

	Year ended 28 February 2007 £000	18 months to 28 February 2006 £000
Expected return on pension scheme assets	109	219
Interest on pension scheme liabilities	(136)	(263)
	<u>(27)</u>	<u>(44)</u>

Upon the transfer of the pension deficit to the holding entity a settlement gain of £1,256,000 (2006 £nil) was recognised in the profit and loss account

##### Analysis of amount recognised in statement of total recognised gains and losses

	2007 £000	2006 £000	2004 £000	2003 £000	2002 £000
Actual return less expected return on scheme assets	5	519	(35)	25	(372)
Percentage of year end scheme assets	0.2%	17.3%	(1.1)%	1.2%	(20.2)%
Experience gains and losses arising on scheme liabilities	154	(167)	(7)	(249)	(71)
Percentage of present value of year end scheme liabilities	3.5%	(3.9)%	(0.2)%	(8.8)%	(3.2)%
Changes in assumptions underlying the present value of scheme liabilities	(68)	(730)	(60)	(171)	(94)
Percentage of present value of year end scheme liabilities	2.1%	(8.8)%	(1.9)%	(6.0)%	(4.3)%
	<u>91</u>	<u>(378)</u>	<u>(102)</u>	<u>(395)</u>	<u>(537)</u>
Actuarial loss recognised in statement of total recognised gains and losses	91	(378)	(102)	(395)	(537)
Percentage of present value of year end scheme liabilities	2.1%	(8.8)%	(3.3)%	(13.9)%	(24.4)%

#### Company personal pension scheme

The company also offered to employees to make contributions (5% of salary) to a company personal pension scheme operated by Norwich Union. In return the employee had to make at least a matching contribution.

## Notes (continued)

### 19 Related party transactions

Details of subsidiary companies are shown in note 12

The company has transactions with its sole shareholder, Cornwall County Council. Up until 31 October 2006 these comprise waste disposal fees and civic amenity contracts which are in accordance with tenders won in open competition. From 1 November 2006 the company has received a loan of £1,900,000 to ensure that it can pay its creditors following the cessation of the company's trade. At the year end interest of £17,840 has accrued on this loan which represents the full charge to this date.

During the period the company had transactions in which JA Lakeman had an interest by virtue of his position as a director and a shareholder of Atlantic Aggregates Limited and Stonehaul Limited. Purchases of goods at a total cost of £233 (2006 £1,616) and £39,436 (2006 £69,817) respectively and in connection with these, there was no amount due at the year end for either company within creditors due within one year (2006 £21,199). JA Lakeman also purchased his company car, for £6,500 when he left the company. The car had a carrying value of £7,306 at the beginning of the period.

### 20 Ultimate holding entity

The company's ultimate holding entity is Cornwall County Council.

### 21 Contingent liabilities

The Directors are aware of correspondence between Cornwall County Council and a firm of solicitors who have advised that they 'are instructed to investigate a private nuisance claim for residents affected by odour nuisance from the Connon Bridge Landfill site covering the period that the site was run by County Environmental Services Limited'. Directors have alerted the Company's insurer of a possible future claim, however the Company has not been directly involved in communications or correspondence in respect of this and no formal complaint has been made to the Company at any point. No provision in respect of this incident has been made in these financial statements.

### 22 Post balance sheet events

The company were in negotiations at the year end to sell the land at South Bodithiel and on 15 March 2007 the sale was completed. The land had a carrying value of £191,394 at the year ended 28 February 2007 and the sale price was £215,000 which has been received following completion.

On 15 May 2007 the Company pleaded guilty to three charges from the Environment Agency relating to a pollution incident in a river in the vicinity of Connon Bridge land fill site which occurred on 16 October 2006. A fine of £5,000 for each charge was imposed on the Company. In addition the Company is required to pay the Environment Agency's costs of £2,269. These costs are included in these accounts.