Registered Number: 2630920

VIRIDOR WASTE (BRISTOL) LIMITED

ANNUAL REPORT
AND
FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 MARCH 2008

VIRIDOR WASTE (BRISTOL) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

for the year ended 31 March 2008

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DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended 31 March 2008.

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW

Financial Results

Revenue rose by £607,000 to £8,750,000, an increase of 7.5%. The Company's operating profit increased by £58,000 to £134,000 an increase of 76%.

Net interest received was £21,000 (2007 £2,000).

The Company's taxation position results in a charge to mainstream corporation tax of £12,000 and a credit to deferred tax of £29,000 (2007 total charge £123,000).

Investment

Following a number of years of growing investment in its fleet and facilities, capital expenditure in the year was £181,000 below the £315,000 capital investment level of 2007.

Financing

Net borrowings were reduced in the year to £518,000 (2007 £1,125,000).

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

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

Principal risks and uncertainties

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

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

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

Key Performance Indicators ("KPIs")

The Directors perform regular reviews of Viridor as a whole, which includes the Company, to assess the overall position of the business throughout the year. The full business review can be found in the consolidated accounts of Viridor Limited. The principal KPIs used by the Directors to assess the performance and position of the business of the Company are as follows:

<u>Growth in revenue</u>

The Directors monitor the development of the business by assessing the growth in revenue vehicle utilisation and individual contract performance. The Company's sales rose by £607,000 (7.5%) from the year ended 31 March 2007.

DIRECTORS' REPORT (Continued)

BUSINESS REVIEW (continued)

Operating profit and profit before taxation (PBT)

Operating profit and PBT are key measures of the Company's performance. The Company's operating profit of £134,000 for the year ended 31 March 2008, was £58,000 (76%) ahead of 2007. The profit before tax of £155,000 (2007: £78 ,000) was £77,000 (98%) ahead.

Dividends and reserves

The Directors will not be recommending the payment of any dividends until a sustained period of profitability is achieved (2007 nil) with £172,000 transferred to reserves reducing the deficit to £461,000 (2007 £633,000).

Environment

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

Post balance sheet event

On the 30 November 2008 the trade, contracts and net assets of the Company were transfered at net book value to Viridor Waste Management Ltd the immediate parent of Viridor Waste (Bristol Holdings) Ltd.

RESEARCH AND DEVELOPMENT

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

PARENT COMPANY

The Company is a wholly owned subsidiary of Viridor Waste (Bristol Holdings) Limited, itself a wholly owned subsidiary of Viridor Waste Management Limited a wholly owned subsidiary of Viridor Waste Limited. Its ultimate parent undertaking is Pennon Group Plc.

DIRECTORS

The Directors who served on the Board during the year were:

M Hellings
D B Robertson
B S Hurley

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

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

DIRECTORS' REPORT (Continued)

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for the year.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the financial statements comply with IFRS as adopted by the European Union; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

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

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

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

b) Each of the Directors has taken all the steps they ought to have taken individually as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP are deemed to be reappointed auditors of the Company in accordance with an elective resolution made under Section 386 of the Companies Act 1985. PricewaterhouseCoopers LLP have indicated their willingness to continue as auditors.

ANNUAL GENERAL MEETING

Elective resolutions passed by the Company under Sections 252 and 366A of the Companies Act 1985, dispensing with the laying of accounts and reports before the Company in general meetings and dispensing with the holding of annual general meetings, remain in force.

By Order of the Board

M L HEELEY
Secretary

11 December 2008

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

We have audited the financial statements of Viridor Waste (Bristol) Limited for the year ended 31 March 2008 which comprise the Income Statement, the Statement of Recognised Income and Expense, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors
The directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (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). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

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

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

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

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

Opinion
In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the company's affairs as at 31 March 2008 and of its profit and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP

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

11 December 2008

Income statement for the year ended 31 March 2008

	Notes	2008 £000	2007 £000
Revenue	5	**8,750**	8,143
Operating costs	6		
Manpower costs		**(1,526)**	(1,478)
Raw materials and consumables used		**(1,033)**	(939)
Other operating expenses		**(5,488)**	(5,056)
Depreciation		**(569)**	(594)
Operating profit		**134**	76
Finance income	7	**37**	17
Finance costs	7	**(16)**	(15)
Profit before tax		**155**	78
Taxation	8	**17**	(123)
Profit/(loss) for the year		**172**	(45)
Profit/(loss) attributable to equity shareholders		**172**	(45)

All operating activities are continuing operations

Statement of recognised income and expense

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

The notes on pages 8 to 22 form part of these financial statements.

Balance sheet at 31 March 2008

	Notes	2008 £000	2007 £000
Assets			
Non-current assets			
Property, plant and equipment	11	**4,062**	4,450
Investment in subsidiary undertaking	13	**-**	-
		4,062	4,450
Current assets			
Inventories	14	**22**	28
Trade and other receivables	15	**1,132**	1,043
Cash and cash deposits	16	**516**	555
		1,670	1,626
Liabilities			
Current liabilities			
Borrowings	19	**(784)**	(1,559)
Trade and other payables	17	**(2,651)**	(2,504)
Current tax liabilities	18	**(110)**	(98)
		(3,545)	(4,161)
Net current liabilities		**(1,875)**	(2,535)
Non-current liabilities			
Borrowings	19	**(250)**	(121)
Deferred tax liabilities	20	**(139)**	(168)
Provisions for liabilities and charges	21	**(212)**	(212)
		(601)	(501)
Net assets		**1,586**	1,414
Shareholders' equity			
Share capital	22	**2,047**	2,047
Retained deficit	23	**(461)**	(633)
Total shareholders' equity		**1,586**	1,414

The notes on pages 8 to 22 form part of these financial statements.

The financial statements on pages 5 to 22 were approved by the Board of Directors and authorised for issue on 11 December 2008 and were signed on its behalf by :

D B ROBERTSON
Director

Cash flow statement for the year ended 31 March 2008

	Notes	2008 £000	2007 £000
Cash flows from operating activities			
Cash generated from operations	24	**757**	569
Interest paid		**(16)**	(1)
Tax received		**-**	28
Net cash generated from operating activities		**741**	596
Cash flows from investing activities			
Interest received		**37**	3
Purchase of property, plant and equipment		**(181)**	(315)
Proceeds from sale of property, plant and equipment		**10**	81
Net cash used in investing activities		**(134)**	(231)
Cash flows from financing activities			
Net proceeds from borrowings		**248**	86
Repayment of borrowings		**(1,104)**	-
Finance lease drawdowns		**392**	-
Finance lease principal repayments		**(182)**	(157)
Net cash outflow from financing activities		**(646)**	(71)
Net (decrease)/increase in cash and cash equivalents		(39)	294
Cash and cash equivalents at beginning of the year		**555**	261
Cash and cash equivalents at end of the year	16	**516**	555

The notes on pages 8 to 22 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. General information

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

2. Significant accounting policies

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

(a) Basis of preparation

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

The following accounting standard became effective for the current accounting period:

IFRS7 "Financial Instruments: Disclosures"

Application of this standard has not had a material impact on the net assets or results of the Company.

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

IFRS 3 "Business Combinations (revised)".
IFRS 8 "Operating segments".
IAS 1 "Presentation of financial statements" (revised).
IAS 23 "Borrowing costs" (revised).
IAS 27 "Consolidated and separate financial statements" (revised).
IFRIC 12 "Service concession arrangements".
IFRIC 13 "Customer loyalty programmes".

The presentational impact of these standards and interpretations is being assessed and the Directors expect that the adoption of these standards and interpretations in future periods will have no material impact on the financial statements of the Company.

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

(b) Basis of consolidation

The Company is exempt under the provisions of Section 228 of the Companies Act 1985 from the requirement to produce group financial statements (as amended by Section 5 of the Companies Act 1989) as it is a wholly owned subsidiary of Viridor Limited which is registered in the European Economic Area and which itself produces consolidated financial statements. Accordingly the financial statements are presented for the Company as an individual undertaking.

(c) Revenue recognition

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

Revenue is recognised once the service or goods have been provided to the customer.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. **Significant accounting policies (Continued)**

(d) Segmental reporting

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

(e) Property, plant and equipment

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

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

Freehold buildings	30 - 50 years
Fixed and mobile plant, vehicles and computers	3 - 15 years

The cost of assets includes directly attributable labour and overhead costs which are incremental to the Company. Borrowing costs that are directly attributable to the construction of a qualifying asset (an asset which necessarily takes a substantial period of time to be prepared for its intended use) are capitalised as part of the asset.

Asset lives and residual values are reviewed annually.

(f) Leased assets

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

Rental costs arising under operating leases are charged against profits on a straight line basis over the life of the lease.

(g) Impairment of non-financial assets

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

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes labour, materials and attributable overheads.

(i) Cash and cash deposits

Cash and cash deposits comprise cash in hand and short-term deposits held at banks. Bank overdrafts are shown within current borrowings.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. **Significant accounting policies (Continued)**

(j) Financial assets and liabilities and derivatives

The Company classifies its financial assets in the following categories:

Loans and receivables

Loans and receivables are non-derivative assets with fixed or determinable payments which are not quoted in an active market and are initially recognised at fair value and subsequently at amortised cost using the effective interest method, less provision for impairment. Except where maturity is in less than twelve months from the balance sheet date, such receivables are classified as non-current.

Gains and losses are recognised in the income statement when the instruments are derecognised or impaired. Premia, discounts and other costs and fees are recognised in the income statement through the amortisation process.

Other receivables do not carry any interest and are recognised initially at fair value and subsequently at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

The Company classifies its financial liabilities in the following categories:

Other financial liabilities

Other payables are not interest bearing and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or liability or, where appropriate, a shorter period.

Borrowings are recognised at fair value, net of transaction costs of the consideration received.

Where arising, gains and losses are recognised in the income statement when the instruments are derecognised. Premia, discounts and other costs and fees are recognised in the income statement through the amortisation process.

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

The Company does not use derivative financial instruments.

(k) Taxation including deferred tax

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. **Significant accounting policies (continued)**

(l) Provisions for liabilities and charges

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

(m) Share capital

Ordinary shares are classified as equity.

(n) Employee benefits

i) *Pension obligations*

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

The directors consider it appropriate to account for the defined benefit scheme as a defined contribution scheme. The directors do not consider there to be a material impact on the financial statements of the Company due to the significant proportion of the scheme assets and liabilities being attributed to Viridor Waste Management Limited, where the required disclosures have been made.

ii) *Share-based payment*

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

(o) Fair values

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

3. **Financial risk management**

(a) Financial risk factors

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

The principal financial risks faced by the Company can be found in the annual report and financial statements of Viridor Limited, the intermediate holding company.

Financial instruments are used to raise finance and to manage risk. Pennon Group Plc does not engage in speculative activity.

i) *Market risk*

Pennon Group Plc ensures that at least 50% of fixed term interest bearing borrowing available to the Company is at fixed rate. At the year end the Company had no borrowings of this nature.

The Company has no significant interest-bearing assets upon which the net return fluctuates from market risk. Deposit interest receivable is expected to fluctuate in line with interest payable on floating rate borrowings. Consequently its income and operating cash flows are substantially independent of changes in market interest rates.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. **Financial risk management (continued)**

(a) Financial risk factors (continued)

ii) *Liquidity risk*

Pennon Group Plc actively maintains a mixture of long-term and short-term committed facilities that are designed to ensure that the Company has significant available funds for operations and planned expansions and facilities equivalent to at least one year's forecast requirements are maintained at all times.

Refinancing risk is managed under Pennon Group Plc policies.

iii) *Credit risk*

Credit risk arises from cash and cash deposits with banks and financial institutions, as well as exposure to trade customers, including outstanding receivables. Further information on the credit risk relating to trade receivables is given in note 15.

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

(b) Capital risk management

The principal capital risks faced by the Company can be found in the annual report and financial statements of Viridor Limited, the intermediate holding company.

(c) Determination of fair values

The determination of fair values is common throughout the Viridor group of companies, details of which can be found in the annual report and financial statements of Viridor Limited, the intermediate holding company.

4. **Critical accounting judgements and estimates**

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

Areas which management believes require the most critical accounting estimates are :

Carrying value of property, plant and equipment

The Company's accounting policy for property, plant and equipment is detailed in note 2 of the financial statements. The carrying value of property, plant and equipment as at 31 March 2008 was £4,062,000 (2007 4,450,000). In the year ended 31 March 2008 additions to property, plant and equipment totalled £181,000 (2007 315,000) and the depreciation charge was £569,000 (2007 594,000). The estimated useful economic lives of property, plant and equipment are based on management's judgement and experience. When management identifies that actual useful lives differ materially from the estimates used to calculate depreciation, that charge is adjusted prospectively. Due to the significance of tangible fixed asset investment to the Company, variations between actual and estimated useful lives could impact operating results both positively and negatively. Historically, only minor changes to estimated useful lives have been required.

Cash-generating units

For the purpose of assessing impairments, the Company aggregates all assets for the purpose of identifying cash flows as it is recognised as an integrated business.

Revenue recognition

The Company recognises revenue at the time of delivery. Payments received in advance of revenue recognition are recorded as a liability.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. **Critical accounting judgements and estimates (continued)**

Provision for doubtful debts

At each balance sheet date, the Company evaluates the collectability of trade debtors and records provisions for doubtful debts based on experience including comparisons of the relative age of accounts and consideration of actual write-off history. The actual level of debt collected may differ from the estimated levels of recovery, and could impact operating results positively or negatively. As at 31 March 2008 the Company's current trade receivables were £1,079,000 (2007 982,000) against which £5,000 (2007 nil) was provided for impairment.

5. **Segmental reporting**

The Company operated solely within the UK in one class of business during the year.

6. **Operating costs**

	2008 **£000**	2007 £000
Manpower costs (note 9)	**1,526**	1,478
Raw materials and consumables	**1,033**	939
Other operating expenses include		
Operating lease rentals payable :		
- Plant and machinery	**41**	34
- Other hire charges	**45**	40
Profit on disposal of property, plant and equipment	**(10)**	(12)
Depreciation of property, plant and equipment :		
- Owned assets	**315**	394
- Leased assets and hire purchase agreements	**254**	200
Fees payable to the Company's auditors for the audit of the Company's accounts in the year were:	**6**	5

7. **Net finance costs**

	2008 **£000**	2007 £000
Finance income		
Bank interest	**37**	17
Finance costs		
Interest element of finance lease rentals	**(16)**	(15)
Net finance income	**21**	2

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. **Taxation**

Analysis of (credit)/charge in year	**Total 2008 £000**	Total 2007 £000
Current tax	**12**	42
Deferred tax (note 20)	**(29)**	81
	(17)	123

UK Corporation tax is calculated at 30% (2007 30%) of the estimated assessable profit for the year. The tax for the year differs from the theoretical amount that would arise using the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2008 £000	2007 £000
Profit before tax : Continuing operations	**155**	78
Profit before tax multiplied by standard rate of corporation tax in the UK of 30% (2007: 30%)	**47**	24
Effects of :		
Expenses not deductible for tax purposes	**17**	16
Group relief claimed at less than full rate	**(98)**	-
Adjustments to tax charge in respect of prior year	**26**	83
Change in rate of corporation tax	**(9)**	-
Tax charge for year	**(17)**	123

The average applicable tax rate for the year was minus 11% (2007 158%).

The standard rate of corporation tax in the UK changes to 28% with effect from 1 April 2008. During the year as a result of the change in the corporation tax rate unrecognised and recognised deferred tax balances have been remeasured. Deferred tax balances relating to timing differences which are expected to reverse after 1 April 2008 are measured at the tax rate of 28%.

The Finance Act 2008 contains provisions for the phased abolition of industrial buildings allowances over the three years commencing 1 April 2008. The change had not been substantially enacted at 31st March 2008, but has since been fully enacted the effect is likely to be an increase in the deferred tax liability by an estimated £148,000.

9. **Employment costs**

The Company has no employees. Services provided by the Company were undertaken by employees of Viridor Waste Management Limited, a fellow subsidiary undertaking of Viridor Waste Limited. Viridor Waste Management Limited charged a service fee to the Company including the amounts recorded below for 59 (2007 56) employees who worked predominantly for the Company.

Employment costs comprise :	**2008 £000**	2007 £000
Wages and salaries	**1,356**	1,311
Social security costs	**125**	125
Pension costs	**45**	42
Total employment costs	**1,526**	1,478

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. **Directors' emoluments**

	2008	2007
	£000	£000
Total emoluments in respect of services to the Company	**22**	11

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

11. **Property, plant and equipment**

	Freehold land and buildings	Fixed and mobile plant, vehicles and computers	Total
	£000	£000	£000
Cost :			
At 1 April 2006	875	6,921	7,796
Additions	-	315	315
Disposals	-	(98)	(98)
At 31 March 2007	875	7,138	8,013
Additions	-	181	181
Disposals	-	(45)	(45)
At 31 March 2008	**875**	**7,274**	**8,149**
Depreciation :			
At 1 April 2006	-	2,998	2,998
Charge for year	-	594	594
Disposals	-	(29)	(29)
At 31 March 2007	-	3,563	3,563
Charge for year	-	569	569
Disposals	-	(45)	(45)
At 31 March 2008	**-**	**4,087**	**4,087**
Net book value :			
At 31 March 2007	875	3,575	4,450
At 31 March 2008	**875**	**3,187**	**4,062**

Asset lives and residual values are reviewed annually.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. Property, plant and equipment (continued)

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

	Fixed and mobile plant, vehicles and computers £000
Cost :	
At 31 March 2007	1,768
At 31 March 2008	**2,355**
Depreciation :	
At 31 March 2007	1,258
At 31 March 2008	**1,593**
Net book value:	
At 31 March 2007	510
At 31 March 2008	**762**

12. Financial instruments by category

	Note	Amortised cost Loans and other receivables £000	Other financial liabilities £000	Total £000
31 March 2008				
Financial assets				
Trade and other receivables	15	1,110	-	1,110
Cash and cash deposits	16	516	-	516
Total		1,626	-	1,626
Financial liabilities				
Borrowings	19	-	1,034	1,034
Trade and other payables	16	-	2,251	2,251
Total		-	3,285	3,285
31 March 2007				
Financial assets				
Trade and other receivables	15	1,025	-	1,025
Cash and cash deposits	16	555	-	555
Total		1,580	-	1,580
Financial liabilities				
Borrowings	19	-	1,680	1,680
Trade and other payables	16	-	2,075	2,075
Total		-	3,755	3,755

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. **Investment in subsidiary undertaking**

	Shares £000
Cost: At 1 April 2007 and 31 March 2008	22
Provision: At 1 April 2007 and 31 March 2008	22
Net book value: At 31 March 2007 and 31 March 2008	-

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

14. **Inventories**

	2008 £000	2007 £000
Raw materials and consumables	**22**	28

15. **Trade and other receivables - current**

	2008 £000	2007 £000
Trade receivables	**1,079**	982
Less: provision for impairment of receivables	**(5)**	-
Net trade receivables	**1,074**	982
Amounts owed by fellow subsidiary undertakings	**36**	43
Prepayments	**22**	18
	1,132	1,043

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

As at 31 March 2008, trade receivables of £494,000 (2007 £529,000) were fully performing.

Trade receivables which are less than four months past due are not considered impaired. As at 31 March 2008, trade receivables of £541,000 (2007: £427,000) were past due but not impaired. These relate to government agencies and significant corporate customers with no history of default. The ageing analysis of these trade receivables is as follows:

	2008 £000	2007 £000
Past due by up to 1 month	**450**	374
Past due by more than one but less than four months	**91**	53
	541	427

As at 31 March 2008 trade receivables of £44,000 (2007 £26,000) were more than four months overdue, of which £5,000 (2007 nil) were provided for. The provision relates to those debts in industry sectors known to be vulnerable to economic swings or who have ceased trading at the balance sheet date.

16. **Cash and cash deposits**

	2008 £000	2007 £000
Cash and cash deposits	**516**	555

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. Trade and other payables - current

	2008 £000	2007 £000
Trade payables	304	333
Amounts owed to group undertakings	1,947	1,742
Other tax and social security	109	94
Accruals	291	335
	2,651	2,504

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

18. Current tax liabilities

	2008 £000	2007 £000
Corporation tax	110	98

19. Borrowings

	2008 £000	2007 £000
Current:		
Obligations under finance leases	188	107
Loan from fellow subsidiary undertaking	596	1,452
	784	1,559
Non-current:		
Obligations under finance leases	250	121
Total borrowings	1,034	1,680

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

Finance lease liabilities – minimum lease payments :	2008 £000	2007 £000
Within one year	194	110
In the second to fifth years inclusive	295	142
	489	252
Less: future finance charges	(51)	(24)
	438	228

The maturity of non-current borrowings is :	2008 £000	2007 £000
Between 1 and 2 years	81	108
Between 2 and 5 years	169	13
	250	121

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19. **Borrowings (continued)**

The effective interest rates at the balance sheet date and the exposure to interest rate changes and the re-pricing was:

	Effective Rate %	6 months or less £000	6 – 12 months £000	1 – 2 years £000	2 – 5 years £000	Total £000
31 March 2008						
Obligations under finance leases	5.6	94	94	81	169	438
Loan from fellow subsidiary undertaking	0.0	596	-	-	-	596
		690	94	81	169	1,034
31 March 2007						
Obligations under finance leases	5.9	53	54	108	13	228
Loan from fellow subsidiary undertaking	0.0	1,452	-	-	-	1,452
		1,505	54	108	13	1,680

20. **Deferred tax**

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 30% (2007 30%). The movement on the deferred tax account were :

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

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

Deferred tax (assets)/liabilities	Accelerated tax depreciation £000	Other £000	**Total £000**
At 1 April 2006	162	(75)	**87**
Charged to the income statement	69	12	**81**
At 31 March 2007	231	(63)	**168**
(Credited)/charged to the income statement	(30)	1	**(29)**
At 31 March 2008	201	(62)	**139**

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

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

	2008 £000	2007 £000
Deferred tax assets	**(62)**	(63)
Deferred tax liabilities	**201**	231
	139	168

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. Provisions for liabilities and charges

	At 1 April 2007	Charged to income statement	Utilised	**At 31 March 2008**
	£000	£000	£000	**£000**
Remediation provision	212	-	-	**212**

	2008	2007
	£000	£000
Non current	**212**	212

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

22. Share capital

	2008	2007
	£000	£000
Authorised, allotted, called-up and fully paid		
2,046,563 ordinary shares of £1 each	**2,047**	2,047

23. Retained deficit

	£000
At 1 April 2006	(588)
Loss for the year	(45)
At 31 March 2007	(633)
Profit for the year	172
At 31 March 2008	**(461)**

24. Cash flow from operating activities

Reconciliation of profit for the year to cash generated from operations :

Cash generated from operations	**2008**	2007
	£000	£000
Profit/(loss) for the year	**172**	(45)
Adjustments for :		
Profit on disposal of property, plant and equipment	**(10)**	(12)
Depreciation charge	**569**	594
Finance income	**(37)**	(17)
Finance costs	**16**	15
Taxation (receivable)/payable	**(17)**	123
Changes in working capital:		
Decrease/(increase)/ in inventories	**6**	(9)
(Increase)/decrease in trade and other receivables	**(89)**	222
Decrease/(increase) in trade and other payables	**147**	(302)
Cash generated from operations	**757**	569

NOTES TO THE FINANCIAL STATEMENTS (Continued)

25. **Net borrowings**

	2008 £000	2007 £000
Cash and cash deposits	**516**	555
Borrowings – current		
Obligations under finance leases	**(188)**	(107)
Loan from fellow subsidiary undertaking	**(596)**	(1,452)
	(784)	(1,559)
Borrowings – non-current		
Obligations under finance leases	**(250)**	(121)
Total net borrowings	**(518)**	(1,125)

26. **Operating lease commitments**

	2008 £000	2007 £000

The future aggregate minimum lease payments under non-cancellable operating leases are :

	2008 £000	2007 £000
Within one year	**29**	28
Later than one year and less than five years	**42**	54
	71	82

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

27. **Contingent liabilities**

	2008 £000	2007 £000
Guarantees :		
Bank guarantees	**516**	555

Certain banking arrangements of the Company operate on a pooled basis with certain other Pennon Group companies and under these arrangements credit balances of participating companies can be offset against overdrawn balances of participating companies. The potential liability outstanding at 31 March 2008 amounted to £516,000 (2007 £555,000).

28. **Related party transactions**

During the year, the Company entered into the following transactions with related parties :

	2008 £000	2007 £000
Fellow subsidiaries		
Sale of goods and services	**244**	356
Purchase of goods and services	**2,515**	2,131
Purchase of goods and services – administrative recharges	**344**	224
Receivables		
Amounts owed by fellow subsidiaries	**36**	43
Payables		
Amount owed to immediate parent undertaking	**1,115**	1,115
Amount owed to fellow subsidiaries	**832**	627
Loan from fellow subsidiary undertaking	**596**	1,452

NOTES TO THE FINANCIAL STATEMENTS (Continued)

29. **Post balance sheet event**

On the 30 November 2008 the trade, contracts and net assets of the Company were transfered at net book value to Viridor Waste Management Ltd the immediate parent of Viridor Waste (Bristol Holdings) Ltd.

30. **Ultimate parent undertaking**

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

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

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