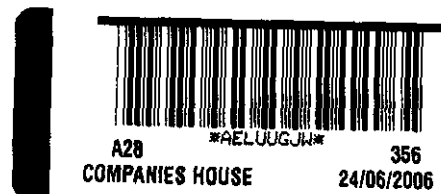


2005-06

# **LONDONWASTE LIMITED**

## **FINANCIAL STATEMENTS**

**YEAR ENDED 31 DECEMBER 2005**



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**LONDONWASTE LIMITED**  
(Registered Number 2732548)

**FINANCIAL STATEMENTS**

**YEAR ENDED 31 DECEMBER 2005**

PKF (UK) LLP

**LONDONWASTE LIMITED**  
(Registered Number 2732548)  
**FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2005**

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**LONDONWASTE LIMITED**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2005**

**COMPANY INFORMATION**

**Directors:** P Gillatt  
B Haley  
P Hjort  
M McGeehan (appointed 28 January 2005)  
R Robinson  
D Sargent  
J Sexton  
E Sizer

**Secretary:** M McGeehan

**Registered Office:** EcoPark  
Advent Way  
Edmonton  
London  
N18 3AG

**Auditors:** PKF (UK) LLP  
Farringdon Place  
20 Farringdon Road  
London  
EC1M 3AP

**LONDONWASTE LIMITED**  
**DIRECTORS' REPORT**  
**YEAR ENDED 31 DECEMBER 2005**

The directors submit their report and the accounts for the year ended 31 December 2005.

**RESULTS AND DIVIDENDS**

The profit for the year after taxation was £656,000 (2004: as restated: profit of £445,000). The directors do not propose to pay a dividend.

**REVIEW OF THE BUSINESS**

The main activity of the Company and its subsidiaries is recycling and disposal of waste including the generation of electricity in the Energy Centre located on the Edmonton EcoPark.

During the year the Company completed a £26m refurbishment programme to enable it to comply with the Waste Incineration Directive (WID). The refurbishment required substantial plant downtime and a planned operating loss before tax credit. The directors are pleased to report that the actual loss for the year before taxation was well within planned levels and the company achieved WID compliance before the due date of 28 December 2005. Since then the Energy Centre has returned to full capacity and the Company has returned to profitability.

In September 2005 the Company opened a new state-of-the-art Composting Centre which has the capacity to process 30,000 tonnes of green and kitchen waste per annum. This Composting Centre is located at the Edmonton EcoPark.

Polkacrest, our clinical waste subsidiary, continued to develop profitably by maintaining a high standard of quality and security of service.

**FUTURE DEVELOPMENTS**

Consideration is being given to the construction of a new Materials Recycling Facility within the Edmonton EcoPark in order to further increase the recycling services which the company is able to provide.

**CHARITABLE DONATIONS**

During the period, the company made charitable donations of £5,054 (2004: £11,200).

**DIRECTORS**

The directors who served during the year (and who have been appointed since the year end) are set out on page 1. None of the directors has, or has ever had, any interest in the shares of the company.

**DISABLED PERSONS**

Under the Company's Equal Opportunities Policy, there must be no unfair discrimination in the recruitment, training and promotion of staff, including applicants and staff who are disabled.

**EMPLOYEE INFORMATION**

The directors and managers of LondonWaste are committed to maintaining effective communication and consultation processes with all employees. Employees are encouraged to be positively involved in the Company's performance. This is achieved through monthly briefings; written communications, sent individually to all employees; publication of meeting minutes, for example of consultative committee and health and safety committee meetings; appraisal processes and direct involvement in groups tasked with achieving specific improvements.

**LONDONWASTE LIMITED**  
**DIRECTORS' REPORT**  
**YEAR ENDED 31 DECEMBER 2005**

**FINANCIAL INSTRUMENTS**

The company's policy is to finance working capital through retained earnings and through borrowings at prevailing market interest rates. In respect of finance required for major fixed assets, this is acquired through variable rate borrowings for a term broadly expected to match the useful economic lives of the assets. The company will apply for grants where possible to contribute to its financing requirements.

The company does not actively use any other financial instruments as part of its financial risk management. It is exposed to the usual credit risk and cash flow risk associated with selling on credit and manages this through credit control procedures.

**AUDITORS**

On 23 May 2005, PKF transferred their business to PKF (UK) LLP, a limited liability partnership. Under section 26(5) of the Companies Act 1989, the company consented to extend the audit appointment to PKF (UK) LLP from 23 May 2005. Accordingly, the audit report has been signed in the name of PKF (UK) LLP and a resolution for the reappointment of PKF (UK) LLP will be proposed at the forthcoming annual general meeting.

BY ORDER OF THE BOARD



M McGeehan  
Secretary

5 April 2006

## **LONDONWASTE LIMITED**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and of the group 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 LONDONWASTE LIMITED

We have audited the group and the parent company's financial statements ('the financial statements') of LondonWaste Limited for the year ended 31 December 2005 which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses and the related notes. 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 United Kingdom Accounting Standards ('United Kingdom Generally Accepted Accounting Practice') are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 group and company's circumstances, consistently applied and adequately disclosed.

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

### **Opinion**

In our opinion the financial statements

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 December 2005 and of the group's profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

PKF (UK) LLP

PKF (UK) LLP  
Registered Auditors

London, UK

5 April 2006



**LONDONWASTE LIMITED**  
**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**YEAR ENDED 31 DECEMBER 2005**

	<u>Notes</u>	<u>2005</u> <u>£'000</u>	<u>Restated</u> <u>2004</u> <u>£'000</u>
<b>Turnover</b>	2	62,964	58,958
Cost of sales		(58,448)	(53,871)
<b>Gross profit</b>		4,516	5,087
Administrative expenses		(5,749)	(4,489)
<b>Operating (loss)/profit</b>		(1,233)	598
Interest receivable	5	514	699
Interest payable and similar charges	6	(610)	(191)
Net finance charge on pension deficit	23	(38)	(156)
<b>(Loss)/profit on ordinary activities before taxation</b>	7	(1,367)	950
Tax on (loss)/profit on ordinary activities	8	2,023	(505)
<b>Profit on ordinary activities after taxation for the financial year</b>	18,19	656	445

The results for the year relate to continuing activities.

**CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

	<u>2005</u> <u>£'000</u>	<u>Restated</u> <u>2004</u> <u>£'000</u>
Profit for the financial year	656	445
Actuarial loss on pension scheme	(553)	(149)
Deferred tax on actuarial loss	166	45
<b>Total recognised gains and losses for the financial year</b>	269	341
Prior year adjustment (note 1(k))	(2,489)	
<b>Total recognised gains and losses since last financial statements</b>	(2,220)	

**LONDONWASTE LIMITED**  
**CONSOLIDATED BALANCE SHEET**  
**AS AT 31 DECEMBER 2005**

	<u>Notes</u>	£'000	<u>2005</u> £'000	Restated <u>2004</u> £'000	£'000
<b>FIXED ASSETS</b>					
Intangible assets	9		143		169
Tangible assets	10		66,805		51,618
			<hr/>		<hr/>
			66,948		51,787
<b>CURRENT ASSETS</b>					
Stocks	12	1,524		1,439	
Debtors	13	20,778		20,092	
Cash at bank and in hand		541		3,487	
		<hr/>		<hr/>	
		22,843		25,018	
<b>CREDITORS</b>					
Amounts falling due within one year	14	18,198		19,127	
		<hr/>		<hr/>	
<b>NET CURRENT ASSETS</b>			4,645		5,891
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<hr/>		<hr/>
			71,593		57,678
<b>CREDITORS</b>					
Amounts falling due after more than one year	15		15,022		27
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	16		4,090		5,869
			<hr/>		<hr/>
<b>NET ASSETS EXCLUDING PENSION LIABILITY</b>			52,481		51,782
Pension liability	23		(3,326)		(2,896)
			<hr/>		<hr/>
<b>NET ASSETS INCLUDING PENSION LIABILITY</b>			49,155		48,886
			<hr/>		<hr/>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	17		43,412		43,412
Share premium	18		2,294		2,294
Profit and loss account	18		3,449		3,180
			<hr/>		<hr/>
<b>EQUITY SHAREHOLDERS' FUNDS</b>	19		49,155		48,886
			<hr/>		<hr/>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

5 April 2006

B HALEY

Director

D SARGENT

Director

**LONDONWASTE LIMITED**  
**COMPANY BALANCE SHEET**  
**AS AT 31 DECEMBER 2005**

	<u>Notes</u>	<u>£'000</u>	<u>2005</u> <u>£'000</u>	<u>Restated</u> <u>2004</u> <u>£'000</u>	<u>£'000</u>
<b>FIXED ASSETS</b>					
Tangible assets	10		66,130		50,944
Investments	11		4,095		4,095
			<hr/>		<hr/>
			70,225		55,039
<b>CURRENT ASSETS</b>					
Stocks	12	988		885	
Debtors	13	20,362		20,039	
Cash at bank and in hand		253		3,487	
		<hr/>		<hr/>	
		21,603		24,411	
<b>CREDITORS</b>					
Amounts falling due within one year	14	18,121		19,470	
		<hr/>		<hr/>	
<b>NET CURRENT ASSETS</b>			3,482		4,941
			<hr/>		<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			73,707		59,980
<b>CREDITORS</b>					
Amounts falling due after more than one year	15		15,000		-
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>					
	16		4,088		5,863
			<hr/>		<hr/>
<b>NET ASSETS EXCLUDING PENSION LIABILITY</b>			54,619		54,117
Pension liability	23		(3,326)		(2,896)
			<hr/>		<hr/>
<b>NET ASSETS INCLUDING PENSION LIABILITY</b>			51,293		51,221
			<hr/>		<hr/>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	17		43,412		43,412
Share premium	18		2,294		2,294
Profit and loss account	18		5,587		5,515
			<hr/>		<hr/>
<b>EQUITY SHAREHOLDERS' FUNDS</b>			51,293		51,221
			<hr/>		<hr/>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

5 April 2006

B HALEY

Director

D SARGENT

Director

**LONDONWASTE LIMITED**  
**CONSOLIDATED CASH FLOW STATEMENT**  
**YEAR ENDED 31 DECEMBER 2005**

	<u>Note</u>	<u>2005</u> £'000	<u>Restated</u> <u>2004</u> £'000
<b>RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES</b>			
Operating (loss)/profit		(1,233)	598
Amortisation		26	26
Depreciation		5,028	4,380
Increase in stocks		(85)	(218)
(Increase)/decrease in debtors		(686)	1,941
(Decrease)/increase in creditors		(3,879)	2,809
Loss on disposal of fixed assets		143	-
Net retirement benefit charge less contribution		(22)	49
		<hr/> (708) <hr/>	<hr/> 9,585 <hr/>
<b>CASH FLOW STATEMENT</b>			
Net cash (outflow)/inflow from operating activities		(708)	9,585
Returns on investments and servicing of finance	A	(96)	508
Taxation		135	(759)
Capital expenditure	A	(17,901)	(10,397)
		<hr/> (18,570) <hr/>	<hr/> (1,063) <hr/>
Financing	A	14,985	(3,549)
		<hr/> (3,585) <hr/>	<hr/> (4,612) <hr/>
Decrease in cash			
<b>RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET (DEBT)/FUNDS</b>			
Decrease in cash in the period		(3,585)	(4,612)
Cash used to repay loans		-	3,520
Increase in borrowing		(15,000)	-
Capital element of finance lease payments		15	29
		<hr/> (18,570) <hr/>	<hr/> (1,063) <hr/>
Change in net (debt)/funds resulting from cash flows		3,361	4,424
Net funds at beginning of period		<hr/> 3,361 <hr/>	<hr/> 4,424 <hr/>
Net (debt)/funds at end of period	B	(15,209)	3,361

**LONDONWASTE LIMITED**  
**NOTES TO THE CASH FLOW STATEMENT**  
**YEAR ENDED 31 DECEMBER 2005**

**A ANALYSIS OF CASH FLOWS FOR HEADINGS  
NETTED IN THE CASH FLOW STATEMENT**

	<u>2005</u> <u>£'000</u>	<u>2004</u> <u>£'000</u>
<b>Returns on investments and servicing of finance</b>		
Interest received	514	699
Interest paid	(604)	(187)
Interest element of finance lease payments	(6)	(4)
	<hr/>	<hr/>
Net cash (outflow)/inflow from returns on investments and servicing of finance	(96)	508
	<hr/>	<hr/>
<b>Capital expenditure</b>		
Purchase of tangible fixed assets	(17,919)	(10,397)
Sale of tangible fixed assets	18	-
	<hr/>	<hr/>
Net cash outflow from capital expenditure	(17,901)	(10,397)
	<hr/>	<hr/>
<b>Financing</b>		
Debt due within one year:		
Repayment of loans	-	(1,760)
Debt due after more than one year:		
Repayment of loans	-	(1,760)
Increase in long term borrowings	15,000	-
Capital element of finance lease payments	(15)	(29)
	<hr/>	<hr/>
Net cash inflow/(outflow) from financing	14,985	(3,549)
	<hr/>	<hr/>

**B ANALYSIS OF NET FUNDS/(DEBT)**

	<b>At 31 December</b> <u>2004</u> <u>£'000</u>	<b>Cash flow</b> <u>£'000</u>	<b>At 31 December</b> <u>2005</u> <u>£'000</u>
Cash at bank and in hand	3,487	(2,946)	541
Overdrafts	(70)	(639)	(709)
	<hr/>	<hr/>	<hr/>
	3,417	(3,585)	(168)
	<hr/>	<hr/>	<hr/>
Debt due after one year	-	(15,000)	(15,000)
Finance leases	(56)	15	(41)
	<hr/>	<hr/>	<hr/>
	3,361	(18,570)	(15,209)
	<hr/>	<hr/>	<hr/>

**LONDONWASTE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2005**

**1 ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of the accounts of the group are described below.

**(a) Historical cost convention**

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

**(b) Basis of consolidation**

The group financial statements consolidate the financial statements of LondonWaste Limited and all its subsidiaries made up to 31 December 2005.

No profit and loss account is presented for LondonWaste Limited in accordance with the exemption provided by Section 230 of the Companies Act 1985. The company's profit after tax for the financial period amounted to £436,000 (2004: as restated: profit of £67,000).

**(c) Goodwill**

Goodwill arising on consolidation prior to 23 December 1998 was written off directly to reserves and will be charged to the profit and loss account on a subsequent disposal of the related business. Purchased goodwill is now capitalised and amortised over its estimated useful life up to a maximum of 20 years.

**(d) Depreciation**

Freehold land is not depreciated. Other tangible fixed assets are written off over their estimated useful lives on a straight line basis at the following annual rates:

Leasehold land	- 5% per annum on cost
Buildings	- 5% per annum on cost
Plant and machinery	- 6½% - 20% per annum on cost
Fixtures, fittings and equipment	- 12½% per annum on cost
Motor vehicles	- 12½% - 25% per annum on cost
Computer equipment	- 25% per annum on cost

**(e) Impairment**

The group evaluates its fixed assets for financial impairment where events or circumstances indicate that the carrying value of such assets may not be fully recoverable. When such evaluations indicate that the carrying value of an asset exceeds its recoverable value an impairment is recorded.

**(f) Stocks**

Stocks are stated at the lower of cost and net realisable value.

**(g) Deferred taxation**

As required by FRS 19 "Deferred Tax", full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation, except for those timing differences in respect of which the standard specifies that deferred tax should not be recognised.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the date the timing differences are expected to reverse.

Deferred tax is discounted to reflect the time value of money over 20 years, which the directors consider to be the average period of ownership of the group's assets.

**LONDONWASTE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2005**

**1 ACCOUNTING POLICIES (Continued)**

**(h) Leases and hire purchase contracts**

Leasing charges in respect of operating leases are recognised in the profit and loss account over the lives of the lease agreements as incurred. Assets acquired under finance and hire purchase contracts are capitalised in the balance sheet and are depreciated over their anticipated useful lives. Finance charges are charged to the profit and loss account over the period of the agreement so as to give a constant periodic rate of charge on the capital outstanding.

**(i) Pensions**

The group operates three pension schemes, a defined benefit scheme providing benefits for employees additional to those from the state, and two defined contribution schemes. Contributions in respect of the defined contribution schemes are charged to the profit and loss account in the period in which they are paid.

For defined benefit schemes, the group recognises the net asset or liabilities of the scheme in the balance sheet, net of any related deferred tax liability or asset. The changes in scheme assets and liabilities, based on actuarial advice are recognised as follows:

- The current service cost, based on the most recent actuarial valuation, is deducted in arriving at operating profit.
- The interest cost, based on the present value of scheme liabilities and the discount rate at the beginning of the year and amended for changes in scheme liabilities during the year, is included as interest.
- The expected return on scheme assets, based on the fair value of scheme assets and expected rates of return at the beginning of the year and amended for changes in scheme assets during the year, is included in interest.
- Actuarial gains and losses, representing differences between the expected return and actual return on scheme assets, differences between the actuarial assumptions underlying the scheme liabilities and actual experience during the year, and changes in actuarial assumptions, are recognised in the statement of total recognised gains and losses.
- Past service costs are spread evenly over the period in which the increases in benefit vest and are deducted in arriving at operating profit. If an increase in benefits vests immediately, the cost is recognised immediately.
- Gains and losses arising from settlements or curtailments not covered by actuarial assumptions are included in operating profit.

**(j) Turnover**

Turnover represents invoiced sales, relating to services provided in the year, less allowances, trade discounts and value added tax.

**(k) Change in accounting policy**

Under the provisions of Financial Reporting Standard (FRS) 17 – 'Retirement Benefits', which the group adopted on 1 January 2005, the group has restated its accounts to reflect the revised recognition of its retirement benefits schemes and the resultant changes to deferred tax and amounts recognised in the profit and loss account and statement of total recognised gains and losses. Consequently, the group has restated its comparatives for the year ended 31 December 2004. The effect is to decrease the profit after taxation by £143,000 in the year ended 31 December 2004. The group's net assets at 31 December 2004 have decreased by £2.489 million. The effect on the current year results is to increase the loss for the year by £10,000 and to reduce the net assets by £397,000.

**(l) Grants received**

Capital grants received are treated as deferred income in the balance sheet. This is credited to the profit and loss account by instalments over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

**LONDONWASTE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2005**

**2 TURNOVER**

Turnover, all of which was derived from the group's principal activity, arose within the United Kingdom.

**3 STAFF COSTS**

	<u>2005</u> £'000	<u>Restated</u> <u>2004</u> £'000
Wages and salaries	10,927	9,915
Social security costs	951	891
Other pension costs	847	896
	<hr/> 12,725	<hr/> 11,702
	<hr/> <hr/>	<hr/> <hr/>

The average number of persons employed by the group during the period was 339 (2004 : 311).

**4 DIRECTORS' EMOLUMENTS**

	<u>2005</u> £'000	<u>2004</u> £'000
The remuneration of the directors of the company comprises:		
Emoluments	236	254
Other pension costs	8	-
Compensation for loss of office	-	66
	<hr/>	<hr/>
	<u>Number</u>	<u>Number</u>
Number of directors to whom benefits are accruing		
under defined benefit schemes	1	2
under money purchase schemes	1	-
	<hr/>	<hr/>

The emoluments of the highest paid director during the year were £113,072 (2004: £114,042). At 31 December 2005, the highest paid director had accrued pension benefits of £14,581 per annum and a lump sum of £43,744.

**5 INTEREST RECEIVABLE**

	<u>2005</u> £'000	<u>2004</u> £'000
Bank interest	59	173
Interest receivable on loan to related undertaking	455	506
Other interest receivable	-	20
	<hr/> 514	<hr/> 699
	<hr/> <hr/>	<hr/> <hr/>

The interest receivable on the loan to a related undertaking is only realised upon the use by the company of landfill space owned by the related undertaking.

**6 INTEREST PAYABLE AND SIMILAR CHARGES**

	<u>2005</u> £'000	<u>2004</u> £'000
Interest on bank loans	604	187
Finance leases	6	4
	<hr/> 610	<hr/> 191
	<hr/> <hr/>	<hr/> <hr/>



**LONDONWASTE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2005**

**7 (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

	<u>2005</u> £'000	<u>2004</u> £'000
(Loss)/profit on ordinary activities before taxation is stated after charging the following:		
Amortisation of intangible fixed assets	26	26
Depreciation of tangible fixed assets	5,028	4,380
Loss on disposal of tangible fixed assets	143	-
Auditors' remuneration - audit - current year	46	43
- other fees	29	14
Operating lease payments - land and buildings	236	173
- other	1,241	1,107
Hire of plant and machinery	745	649
	<u>745</u>	<u>649</u>

**8 TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES**

	<u>2005</u> £'000	<u>2004</u> £'000	<u>Restated</u> <u>2004</u> £'000
<b>(a) The (credit)/charge for the year comprises:</b>			
Current tax:			
Corporation tax at 30% (2004: 30%)	(30)		460
Adjustment in respect of prior periods	(246)		(4)
	<u>(276)</u>		<u>456</u>
Total current tax			
	(276)		456
Deferred taxation:			
Loss carried forward	(1,073)		-
Reversal of timing differences	132		(15)
(Increase)/decrease in discount	(788)		126
Pension scheme deferred tax	(18)		(62)
	<u>(1,747)</u>		<u>49</u>
Tax on profit on ordinary activities			
	<u>(2,023)</u>		<u>505</u>

**LONDONWASTE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**8 TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES (Continued)**

	<u>2005</u> £'000	<u>Restated</u> <u>2004</u> £'000
<b>(b) Factors affecting tax (credit)/charge for the year:</b>		
Group (loss)/profit on ordinary activities before tax at 30% (2004: 30%)	(410)	285
Effects of:		
Expenses not deductible for tax purposes:	41	20
Depreciation for the year in excess of capital allowances	(769)	86
Marginal rates of taxation	17	(3)
Tax losses carried forward	1,073	-
Adjustments to tax charge in respect of previous periods	(246)	(4)
Other short-term timing differences	18	72
	<hr/>	<hr/>
Total current tax	(276)	456
	<hr/>	<hr/>

**(c) Tax losses**

The company has trading losses carried forward of £3.5 million as at 31 December 2005 which have been recognised as a deferred tax asset.

**9 INTANGIBLE FIXED ASSETS**

	<u>Goodwill</u> £'000
<b>Group</b>	
<b>Cost</b>	
At 1 January 2005	257
Additions	-
	<hr/>
At 31 December 2005	257
	<hr/>
<b>Amortisation</b>	
At 1 January 2005	88
Charge for the year	26
	<hr/>
At 31 December 2005	114
	<hr/>
<b>Net book value</b>	
At 31 December 2005	143
	<hr/>
At 31 December 2004	169
	<hr/>

**LONDONWASTE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**10 TANGIBLE FIXED ASSETS**

**(a) Group**

	<u>Freehold land and buildings</u> £'000	<u>Leasehold land</u> £'000	<u>Capital work in progress</u> £'000	<u>Plant and machinery</u> £'000	<u>Fixtures fittings equipment</u> £'000	<u>Motor vehicles</u> £'000	<u>Total</u> £'000
<b>Cost</b>							
At 1 January 2005	29,232	140	6,255	46,021	3,116	1,542	86,306
Additions	22	-	19,953	156	178	67	20,376
Reclassifications	-	-	(25,742)	25,742	-	-	-
Disposals	-	-	-	(300)	-	-	(300)
<b>At 31 December 2005</b>	<b>29,254</b>	<b>140</b>	<b>466</b>	<b>71,619</b>	<b>3,294</b>	<b>1,609</b>	<b>106,382</b>
<b>Depreciation</b>							
At 1 January 2005	8,277	70	-	22,787	2,399	1,155	34,688
Charge for the year	889	7	-	3,632	326	174	5,028
Depreciation on disposals	-	-	-	(139)	-	-	(139)
<b>At 31 December 2005</b>	<b>9,166</b>	<b>77</b>	<b>-</b>	<b>26,280</b>	<b>2,725</b>	<b>1,329</b>	<b>39,577</b>
<b>Net book value</b>							
At 31 December 2005	20,088	63	466	45,339	569	280	66,805
At 31 December 2004	20,955	70	6,255	23,234	717	387	51,618

Freehold land and buildings include assets not depreciated at a gross book value of £11,875,000.

Fixed assets includes assets held under finance leases and hire purchase contracts with a net book value of £61,000 (2004: £67,000). Depreciation of £23,000 (2004: £21,000) was charged during the period.

**LONDONWASTE LIMITED**  
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**10 TANGIBLE FIXED ASSETS (Continued)**

**(b) Company**

	<u>Freehold land and buildings</u> £'000	<u>Leasehold land</u> £'000	<u>Capital work in progress</u> £'000	<u>Plant and machinery</u> £'000	<u>Fixtures fittings equipment</u> £'000	<u>Motor vehicles</u> £'000	<u>Total</u> £'000
<b>Cost</b>							
At 1 January 2005	29,232	140	6,255	45,016	2,982	886	84,511
Additions	22	-	19,812	105	169	22	20,130
Reclassifications	-	-	(25,742)	25,742	-	-	-
Disposals	-	-	-	(300)	-	-	(300)
At 31 December 2005	29,254	140	325	70,563	3,151	908	104,341
<b>Depreciation</b>							
At 1 January 2005	8,277	70	-	22,084	2,352	784	33,567
Charge for the year	889	7	-	3,510	299	78	4,783
Depreciation on disposal	-	-	-	(139)	-	-	(139)
At 31 December 2005	9,166	77	-	25,455	2,651	862	38,211
<b>Net book amounts</b>							
At 31 December 2005	20,088	63	325	45,108	500	46	66,130
<b>Net book amounts</b>							
At 31 December 2004	20,955	70	6,255	22,932	630	102	50,944

Freehold land and buildings include assets not depreciated at a gross book value of £11,875,000.

**LONDONWASTE LIMITED**  
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**11 INVESTMENTS**

2005  
£'000

**Cost**

At 1 January 2005 and 31 December 2005

4,095

The company had the following wholly owned subsidiary undertakings at 31 December 2005, all of which have been dealt with under the acquisition method of accounting and all of which operate in the United Kingdom and are incorporated in England and Wales.

<u>Company</u>	<u>Principal activity</u>
Polkacrest Limited	Provision of clinical waste collection and disposal services
Stonepark Limited	Dormant
Advanced Waste Technology Limited	Dormant
LondonWaste Recycling Limited	Dormant
London Ecopark Limited	Dormant

Stonepark Limited and Advanced Waste Technology Limited are held by Polkacrest Limited.

**12 STOCKS**

	<u>Group</u>		<u>Company</u>	
	<u>2005</u> <u>£'000</u>	<u>2004</u> <u>£'000</u>	<u>2005</u> <u>£'000</u>	<u>2004</u> <u>£'000</u>
Consumables	1,524	1,439	988	885

**13 DEBTORS**

	<u>Group</u>		<u>Company</u>	
	<u>2005</u> <u>£'000</u>	<u>2004</u> <u>£'000</u>	<u>2005</u> <u>£'000</u>	<u>2004</u> <u>£'000</u>
Trade debtors	3,984	3,983	1,987	2,330
Amounts owed by subsidiary companies	-	-	1,731	1,652
Amounts owed by related undertakings	14,749	14,527	14,749	14,527
Other debtors	151	633	146	633
Prepayments and accrued income	1,894	949	1,749	897
	<u>20,778</u>	<u>20,092</u>	<u>20,362</u>	<u>20,039</u>

**14 CREDITORS**

	<u>Group</u>		<u>Company</u>	
	<u>2005</u> <u>£'000</u>	<u>2004</u> <u>£'000</u>	<u>2005</u> <u>£'000</u>	<u>2004</u> <u>£'000</u>
<b>Amounts falling due within one year:</b>				
Bank overdrafts	709	70	-	-
Obligations under finance leases and hire purchase contracts	19	29	-	-
Trade creditors	4,142	4,799	3,703	4,103
Amounts due to subsidiary companies	-	-	1,854	1,822
Amounts due to related undertakings	6,517	7,587	6,517	7,499
Corporation tax	8	144	8	79
Other taxation and social security	758	402	529	215
Other creditors	313	182	235	182
Accruals and deferred income	5,732	5,914	5,275	5,570
	<u>18,198</u>	<u>19,127</u>	<u>18,121</u>	<u>19,470</u>

**LONDONWASTE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**15 CREDITORS**

	<u>Group</u>		<u>Company</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
<b>Amounts falling due after more than one year:</b>				
Bank loans	15,000	-	15,000	-
Obligations under finance leases and hire purchase contracts	22	27	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	15,022	27	15,000	-
	<hr/>	<hr/>	<hr/>	<hr/>

The bank loan is secured by way of a fixed and floating charge in respect of all assets of LondonWaste Limited.

The bank loans are repayable as follows:

	<u>Group and Company</u>	
	<u>2005</u>	<u>2004</u>
	<u>£'000</u>	<u>£'000</u>
Between two and five years	10,000	-
In more than five years	5,000	-
	<hr/>	<hr/>
	15,000	-
	<hr/>	<hr/>

The obligations under finance leases and hire purchase contracts are secured on the underlying assets (see note 10).

Obligations under finance leases and hire purchase contracts are payable as follows:

	<u>Group</u>	
	<u>2005</u>	<u>2004</u>
	<u>£'000</u>	<u>£'000</u>
Within one year	19	29
Between one and five years	22	27
	<hr/>	<hr/>
	41	56
	<hr/>	<hr/>

**LONDONWASTE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**16 PROVISIONS FOR LIABILITIES AND CHARGES**

	<u>Deferred taxation</u> £'000	<u>Provision for pension costs</u> £'000	<u>Provision for disputed legal claims</u> £'000	<u>Total</u> £'000
<b>(a) Group</b>				
At 1 January 2005	5,545	581	150	6,276
Prior year adjustment (note 1k)	174	(581)	-	(407)
	<hr/>	<hr/>	<hr/>	<hr/>
At 1 January 2005 – restated	5,719	-	150	5,869
Credited to profit and loss account	(1,729)	-	(50)	(1,779)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2005	3,990	-	100	4,090
	<hr/>	<hr/>	<hr/>	<hr/>
<b>(b) Company</b>				
At 1 January 2005	5,539	581	150	6,270
Prior year adjustment	174	(581)	-	(407)
	<hr/>	<hr/>	<hr/>	<hr/>
At 1 January 2005 – restated	5,713	-	150	5,863
Credited to profit and loss account	(1,725)	-	(50)	(1,775)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2005	3,988	-	100	4,088
	<hr/>	<hr/>	<hr/>	<hr/>

The deferred tax balance comprises the following, provided for at 30% (2004: 30%) where appropriate.

**(a) Group**

	<u>2005 Provided</u> £'000	<u>Restated 2004 Provided</u> £'000
Accelerated capital allowances	6,350	6,230
Short term timing differences	(18)	(30)
Losses carried forward	(1,073)	-
	<hr/>	<hr/>
Undiscounted provision for deferred tax	5,259	6,200
Discount	(1,269)	(481)
	<hr/>	<hr/>
Discounted provision for deferred tax	3,990	5,719
	<hr/>	<hr/>

**LONDONWASTE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**16 PROVISIONS FOR LIABILITIES AND CHARGES (continued)**

**(b) Company**

	<u>2005</u> <u>Provided</u> £'000	<u>Restated</u> <u>2004</u> <u>Provided</u> £'000
Accelerated capital allowances	6,345	6,212
Short term timing differences	(15)	(18)
Losses carried forward	(1,073)	-
	<hr/>	<hr/>
Undiscounted provision for deferred tax	5,257	6,194
Discount	(1,269)	(481)
	<hr/>	<hr/>
Discounted provision for deferred tax	3,988	5,713
	<hr/> <hr/>	<hr/> <hr/>

**17 CALLED UP SHARE CAPITAL**

	<u>Number</u>	<u>2005</u> £'000	<u>Number</u>	<u>2004</u> £'000
<b>Authorised, allotted and fully paid</b>				
"A" Ordinary shares of £1 each	21,705,937	21,706	21,705,937	21,706
"B" Ordinary shares of £1 each	21,705,937	21,706	21,705,937	21,706
	<hr/>	<hr/>	<hr/>	<hr/>
	43,411,874	43,412	43,411,874	43,412
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The "A" and "B" shares rank pari passu in all respects except in respect of the following:

- (i) Directors  
Upon any resolution for the removal of a director appointed by the "A" shareholders, the holders of the "B" shares shall collectively be entitled to 1 vote and the holders of the "A" shares shall collectively be entitled to 2 votes and vice versa.
- (ii) Dividends  
The "A" and "B" shares rank equally for dividends subject to the "A" shareholders ongoing commitment to make special contributions to the LondonWaste Limited Pension Scheme as long as the employees that were transferred on vesting from the North London Waste Authority are still in service, such special contributions being deducted from the "A" shareholders share of the dividend.

Additionally, if the net after-tax profits of the company should exceed 12% of the company's turnover in any financial year after 31 December 1998 then a dividend will be declared in respect of at least an amount equal to the excess, and the shareholders shall be entitled to the excess dividend in the proportion 75% to the "A" shares and 25% to the "B" shares.



**LONDONWASTE LIMITED**  
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**18 RESERVES**

	<u>Share Premium £'000</u>	<u>Profit and loss account £'000</u>
<b>(a) Group</b>		
At 1 January 2005	2,294	5,669
Prior year adjustment	-	(2,489)
	<hr/>	<hr/>
At 1 January 2005 – restated	2,294	3,180
Profit for the year	-	656
Actuarial loss on pension scheme	-	(553)
Deferred tax on actuarial loss	-	166
	<hr/>	<hr/>
At 31 December 2005	2,294	3,449
	<hr/>	<hr/>

The cumulative amount of goodwill written off against reserves is £4,165,000 (2004: £4,165,000).

**(b) Company**

At 1 January 2005	2,294	8,004
Prior year adjustment	-	(2,489)
	<hr/>	<hr/>
At 1 January 2005 – restated	2,294	5,515
Profit for the year	-	459
Actuarial loss on pension scheme	-	(553)
Deferred tax on actuarial loss	-	166
	<hr/>	<hr/>
At 31 December 2005	2,294	5,587
	<hr/>	<hr/>

**19 EQUITY SHAREHOLDERS' FUNDS**

	<u>2005 £'000</u>	<u>Restated 2004 £'000</u>
The reconciliation of movements in shareholders' funds is as follows:		
Profit for the financial period	656	445
Other recognised gains and losses for the year		
Actuarial loss on pension scheme	(553)	(149)
Deferred tax on actuarial loss	166	45
	<hr/>	<hr/>
Net (reduction)/addition to shareholders funds	269	341
	<hr/>	<hr/>
Opening shareholders' funds as previously stated	51,375	50,787
Prior year adjustment (note 1k)	(2,489)	(2,242)
	<hr/>	<hr/>
Opening shareholders funds as restated	48,886	48,545
	<hr/>	<hr/>
Closing shareholders funds	49,155	48,886
	<hr/>	<hr/>

**LONDONWASTE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**20 OPERATING LEASES**

At 31 December 2005 there are annual commitments under operating leases as follows:

**(a) Group**

	<u>Land and buildings</u> <u>2005</u> £'000	<u>Plant and machinery</u> <u>2005</u> £'000	<u>Land and buildings</u> <u>2004</u> £'000	<u>Plant and machinery</u> <u>2004</u> £'000
Expiring within one year	-	225	-	54
Expiring between one and five years	-	1,017	90	1,152
Expiring in more than five years	236	102	78	-
	<u>236</u>	<u>1,344</u>	<u>168</u>	<u>1,206</u>

**(b) Company**

	<u>Land and buildings</u> <u>2005</u> £'000	<u>Plant and machinery</u> <u>2005</u> £'000	<u>Land and buildings</u> <u>2004</u> £'000	<u>Plant and machinery</u> <u>2004</u> £'000
Expiring within one year	-	117	-	27
Expiring between one and five years	-	914	-	1,025
Expiring in more than five years	78	-	78	-
	<u>78</u>	<u>1,031</u>	<u>78</u>	<u>1,052</u>

**21 CAPITAL COMMITMENTS**

	<u>2005</u> £'000	<u>2004</u> £'000
Contracted but not provided for	1,495	12,822

**22 CONTINGENT LIABILITIES**

The company had provided a performance bond to the North London Waste Authority of £1,717,000 (2004: £1,573,000), Hertfordshire County Council of £150,000 (2004: £150,000), London Borough of Islington of £300,000 (2004: £300,000) and the Environment Agency for £200,517 (2004: £200,517) at the year end.

**23 PENSIONS**

The most recent full actuarial valuation at 1 January 2003 showed that the market value of the scheme's assets was £5.27m and that the actuarial value of those assets represented 65% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

The contributions for the employer were set at 22% of pensionable pay from January 2004. Employees contribute at either 5% or 6%. The scheme has been closed to employees recruited after 1 January 2004.

Contributions to the defined benefit scheme were £794,000 (2004: £860,000).

Amounts charged to the profit and loss account during the period for the defined contributions pension schemes were £91,000 (2004: £47,000).

**Disclosure information under Financial Reporting Standard - Retirement Benefits (FRS 17)**

The actuary has updated the valuations above to provide an estimate of the total deficit of the defined benefit scheme as at 31 December 2005 calculated on the basis required by FRS 17.

**LONDONWASTE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**23 PENSIONS (Continued)**

The assets in the Scheme and the expected rate of return were as follows:

	<u>2005</u> %	<u>2005</u> £000	<u>2004</u> %	<u>2004</u> £000	<u>2003</u> %	<u>2003</u> £000
Equities	7.0	6,936	8.5	5,376	8.5	4,881
Property	5.3	564	7.0	154	6.5	138
Bonds and gilts	4.0	2,410	4.8	2,298	4.8	1,590
Cash and other	3.0	381	3.0	234	-	-
		<u>10,291</u>		<u>8,062</u>		<u>6,609</u>

The main assumptions used to determine the present value of the Scheme liabilities were:

	<u>2005</u> %pa	<u>2004</u> %pa	<u>2003</u> %pa
Rate of increase in salaries	3.7	3.7	3.0
Rate of increase to pensions in payment	3.0	3.0	2.8
Discount rate	4.8	5.4	5.8
Inflation rate	3.0	3.0	2.8

Analysis of the amounts chargeable to operating profit:

	<u>2005</u> £000	<u>2004</u> £000
Current service cost	756	849
Total operating charge	<u>756</u>	<u>849</u>

Analysis of the amounts to be credited/(charged) to other finance income:

	<u>2005</u> £000	<u>2004</u> £000
Expected return on pension scheme assets	635	442
Interest on pension scheme liabilities	(673)	(598)
	<u>(38)</u>	<u>(156)</u>

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**23 PENSIONS (Continued)**

	<u>2005</u> <u>£000</u>	<u>2004</u> <u>£000</u>
<i>Analysis of amounts recognisable in statement of total recognised gains and losses:</i>		
Actual return less expected return on pension scheme assets	1,039	435
Experience gains/(losses) arising on scheme liabilities	(58)	148
Changes in assumptions underlying present value of scheme liabilities	(1,534)	(732)
	<u>(553)</u>	<u>(149)</u>
Movement in deficit during the year:		
Deficit in Scheme at beginning of year	(4,139)	(3,785)
Current service cost	(756)	(849)
Contributions	794	860
Other finance charge	(38)	(156)
Other expenses	(60)	(60)
Actuarial loss	(553)	(149)
	<u>(4,752)</u>	<u>(4,139)</u>
Deficit in Scheme at end of year	(4,752)	(4,139)
Related deferred tax assets	1,426	1,243
	<u>(3,326)</u>	<u>(2,896)</u>

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
<b>History of experience gains and losses</b>				
Difference between expected and actual return on Scheme assets				
Amount (£000's)	1,039	435	417	(1,420)
Percentage of Scheme assets	10.1%	5.4%	6.3%	27%
Experience gains/(losses) on Scheme liabilities				
Amount (£000's)	(58)	148	(529)	(250)
Percentage of present value of Scheme liabilities	0.4%	1.2%	5.1%	5.1%
Total amount recognised in statement of total recognised gains and losses				
Amount (£000's)	(553)	(149)	393	(1,540)
Percentage of present value of Scheme liabilities	3.7%	1.2%	3.8%	18%

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**24 CONTROLLING AND RELATED PARTY DISCLOSURES**

The directors are of the opinion that the company is jointly controlled by SITA UK Limited (SITA) and the North London Waste Authority (NLWA).

NLWA

The group earned £37,291,000 (2004: £36,181,000) from provision of waste disposal to NLWA. As at 31 December 2005, NLWA owed the group £6,303,000 (2004: £4,716,000) in respect of these services.

In addition the group owed £1,904,000 to NLWA in respect of rent for the landfill site at Hornsey Street.

SITA

The group earned £249,000 (2004: £1,842,000) from provision of waste disposal and transport to SITA and its subsidiaries. As at 31 December 2005, SITA owed to the group £417,000 (2004: £869,000) in respect of these services.

The company has made an advance for landfill space to SITA on which interest is earned at the rate of 6% per annum. The interest receivable relating to the year is £455,000 (2004: £506,000). The outstanding balance at 31 December 2005 was £8,029,000 (2004: £8,945,000). SITA also provided a working capital facility of £3,000,000 on 31 December 2004. This was repaid in February 2005 on the establishment of a new bank loan facility.

SITA and its subsidiaries have provided the following services to the group;

- Landfill and disposal at a cost of £10,455,000 (2004: £6,255,000)
- Technical expertise at a cost of £100,000 (2004: £130,000)
- Waste collection at a cost of £238,000 (2004: £166,000)
- Operating supplies at a cost of £108,000 (2004: £92,000)
- Project management at a cost of £693,000 (2004: £551,000)

As at 31 December 2005 the group owed to SITA £4,712,000 (2004: £4,703,000) in respect of those services.

Other

As permitted by Financial Reporting Standard 8, "Related Party Transactions", the financial statements do not disclose transactions between the parent company and its subsidiaries to the extent that the transactions have been eliminated on consolidation.