

Mersey Waste Holdings Limited

Report and Financial Statements

Year Ended

30 September 2007



BDO Stoy Hayward
Chartered Accountants

MERSEY WASTE HOLDINGS LIMITED

Annual report and financial statements for the year ended 30 September 2007

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Directors

R L Allan
P A Hewitt
R K N Russell
Dr G D R Parry
J J Salter
K E Cluskey

Secretary

R L Allan

Registered office

2nd Floor
Port of Liverpool Buildings
Pierhead
Liverpool L3 1BY

Registered number

2719545

Auditors

BDO Stoy Hayward LLP
Commercial Buildings
11-15 Cross Street
Manchester M2 1WE

MERSEY WASTE HOLDINGS LIMITED

Report of the directors for the year ended 30 September 2007

The directors submit their report together with the audited financial statements for the year ended 30 September 2007.

Principal activities and future developments

The group provides waste managements, logistics and recycling services to local authorities and the private sector, and it is intended to expand these services organically in the next financial year.

Results and dividends

The profit for the year after taxation amounted to £921,991 (2006 - £776,672). In line with previous years the company will be paying a dividend of £300,008.

Business review

Turnover has increased in the year by 10.8% which is mainly due to increases in landfill tax and indexation applied to term contracts rather than increases in activity levels.

In the year the Group continued to rely mainly on third party owned and operated landfill sites and costs of sale have remained consistent in percentage terms. Actual costs rise with increases in landfill tax, contractual indexation and mandatory reviews.

Operating costs have risen by 9.05% and overheads by 8.16% due in part as a result of operational methods of delivering waste to more distant landfill sites and to increased costs in respect of legal expenses being borne by the Group.

Principal risks and uncertainties

The Group is highly dependant upon a single customer and without this business the Group would not be able to sustain current overhead levels. The contracts with this customer are due to terminate in September 2008.

The loss of these contracts will see a significant reduction in the forecast turnover of the Group and the directors have taken steps to ensure the Group will continue to meet its day to day requirements from its working capital.

Negotiations are currently being held to agree on a revised contract to run to September 2009 with the option on the part of the contractor to extend the contract beyond that date. Similarly, the contractor will have the discretion to terminate the agreement at 30 days notice. At the date of signing the balance sheet, no agreements between either party have been signed.

It is envisaged however that upon termination of the new contract, the company will cease to trade.

Additionally, the directors have agreed to the disposal of significant assets within the company for a value in excess of the balance sheet carrying value. It is not expected that the disposal of these assets will impair the ability of the company to fulfil its contractual obligations as these assets will be made immediately available to the company by the purchaser upon acquisition and will remain so throughout the contract period.

The directors consider that they have taken into account all information they could reasonably be expected to be available in preparing the financial statements and have prepared them on the basis of the policies described in Note 1 of the financial statements.

MERSEY WASTE HOLDINGS LIMITED

Report of the directors for the year ended 30 September 2007 (continued)

Funding and cash flow

The Group continues to generate substantive profits and cash whilst enjoying a relatively low requirement for capital expenditure.

The funding in place is considered satisfactory for the current and future requirements.

Readers will note the reduction in corporate net worth despite the positive returns in the year. The Group are now obliged to include in its balance sheet the combined deficit in its previous schemes, which equates to £977m

The Group continue to meet the funding levels of the schemes as dictated by legislation and Pension Fund Trustees requirements.

Directors

The directors of the company during the year were:

R L Allan
P A Hewitt
R K N Russell
Dr G D R Parry
A Murray (resigned 1 December 2007)
B Swann (resigned 27 June 2007)
J J Salter (appointed 5 October 2007)
K E Cluskey (appointed 27 June 2007)

None of the directors had any interest in the ordinary share capital of the company during the year.

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the company and the group for that period. 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 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 to 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

MERSEY WASTE HOLDINGS LIMITED

Report of the directors for the year ended 30 September 2007 (*continued*)

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO Stoy Hayward LLP have expressed their willingness to continue in office. A resolution to re-appoint them will be proposed at the annual general meeting.

On behalf of the Board

R L Allan
Director

3 September 2008

To the Shareholders of Mersey Waste Holdings Limited

We have audited the group and parent company financial statements (the "financial statements") of Mersey Waste Holdings Limited for the year ended 30 September 2007 which comprise the group profit and loss account, the group and company balance sheets, the group 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 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 and whether the information given in the directors' report is consistent with those financial statements. We also 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.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

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's 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.

Report of the independent auditors

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's affairs as at 30 September 2007 and of its profit for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 30 September 2007;
- 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 – going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures made in note 2 to the financial statements concerning the company's ability to continue as a going concern. The majority of the group's activity is in relation to contracts awarded by the local authority and although there are other external contracts, these are being wound down. Therefore the group is reliant on the contracts awarded by the local authority. The current contracts expire on 30 September 2008. The directors are currently in negotiations with the local authority to renew the contracts, however at the date of the audit report there is no binding agreement in place. These new contracts will expire on 30 September 2009 but can be terminated at the option of the local authority with one months notice.

These conditions along with other matters disclosed in note 2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

BDO STOY HAYWARD LLP

Chartered Accountants and Registered Auditors

Manchester

3 September 2008

MERSEY WASTE HOLDINGS LIMITED**Consolidated profit and loss account for the year ended 30 September 2007**

		2007	2006
	Note	£	£
Turnover	3	51,796,694	46,750,041
Cost of sales		42,280,483	39,840,546
Gross profit		<u>9,516,211</u>	<u>6,909,495</u>
Administrative expenses		8,751,409	5,874,218
Operating profit	4	<u>764,802</u>	<u>1,035,277</u>
Interest receivable		142,156	519,745
Interest payable	7	(109,569)	(37,522)
Other finance income	8	91,000	109,000
Profit on ordinary activities before taxation		<u>888,389</u>	<u>1,626,500</u>
Taxation on profit on ordinary activities	9	33,602	(541,407)
Profit for the financial year	21	<u><u>921,991</u></u>	<u><u>1,085,093</u></u>

All amounts relate to continuing activities

All recognised gains and losses are shown in the profit and loss account.

The notes on pages 11 to 31 form part of these financial statements.

MERSEY WASTE HOLDINGS LIMITED

Consolidated statement of total recognised gains and losses for the year ended 30 September 2007

	Note	2007 £	2006 £
Profit for the financial year		921,991	1,085,093
Actuarial gain on defined benefit scheme	19	1,533,000	260,000
Deferred tax on pension scheme liability	19	(426,600)	(121,200)
Total recognised gains and losses for the year		<u>2,028,391</u>	<u>1,223,893</u>

The notes on pages 11 to 31 form part of these financial statements.

MERSEY WASTE HOLDINGS LIMITED

Consolidated balance sheet at 30 September 2007

	Note	2007		2006	
		£	£	£	£
Fixed assets					
Intangible assets	11		1,150,592		257,023
Tangible assets	12		16,590,599		18,060,533
			<u>17,741,191</u>		<u>18,317,556</u>
Current assets					
Stocks	14	77,528		105,587	
Debtors	15	16,610,140		10,821,440	
Cash at bank and in hand		8,939,771		9,359,483	
			<u>25,627,439</u>		<u>20,286,510</u>
Creditors: amounts falling due within one year	16	34,825,916		27,261,794	
Net current liabilities			(9,198,477)		(6,975,284)
Total assets less current liabilities			<u>8,542,714</u>		<u>11,342,272</u>
Creditors: amounts falling due after one year	17	-		4,100,000	
Provisions for liabilities and charges	18	-		372,799	
			<u>-</u>		<u>4,472,799</u>
Net assets excluding pension asset / (liability)			<u>8,542,714</u>		<u>6,869,473</u>
Pension asset / (liability)	19		18,900		(976,500)
Net assets including pension asset / (liability)			<u>8,561,614</u>		<u>5,892,973</u>
Capital and reserves					
Called up share capital	20		5,138,002		5,138,002
Profit and loss account	21		3,423,612		1,695,229
Shareholders' funds	22		<u>8,561,614</u>		<u>6,833,231</u>
Minority interest			-		(940,258)
			<u>8,561,614</u>		<u>5,892,973</u>

These financial statements were approved by the board of directors and authorised for issue on 3 September 2008.

R L Allan
Director

The notes on pages 11 to 31 form part of these financial statements.

MERSEY WASTE HOLDINGS LIMITED**Company balance sheet at 30 September 2007**

	Note	2007		2006	
		£	£	£	£
Fixed assets					
Tangible assets	12		4,351,055		5,315,317
Investments	13		1,500		692
			<u>4,352,555</u>		<u>5,316,009</u>
Current assets					
Debtors – due within one year	15	12,307,270		2,136,343	
Debtors - due after one year	15	-		11,229,727	
Total debtors	15	12,307,270		13,366,070	
Cash at bank and in hand		98		185	
		<u>12,307,368</u>		<u>13,366,255</u>	
Creditors: amounts falling due within one year	16	12,208,731		11,693,578	
Net current assets			98,637		1,672,677
Total assets less current liabilities			<u>4,451,192</u>		<u>6,988,686</u>
Provisions for liabilities and charges	18		-		372,799
Net assets excluding pension asset / (liability)			<u>4,451,192</u>		<u>6,615,887</u>
Pension asset / (liability)	19		18,900		(976,500)
Net assets including pension asset / (liability)			<u>4,470,092</u>		<u>5,639,387</u>
Capital and reserves					
Called up share capital	20		5,138,002		5,138,002
Profit and loss account	21		(667,910)		501,385
Shareholders' funds	22		<u>4,470,092</u>		<u>5,639,387</u>

These financial statements were approved by the board of directors and authorised for issue on 3 September 2008.

R L Allan
Director

The notes on pages 11 to 31 form part of these financial statements.

MERSEY WASTE HOLDINGS LIMITED**Consolidated cash flow statement for the year ended 30 September 2007**

	Note	2007 £	2006 £
Net cash outflow from operating activities	25	2,220,077	(4,582,123)
Returns on investments and servicing of finance	26	32,587	482,223
Corporation tax paid		(503,893)	(242,866)
Capital expenditure	26	(964,904)	(217,881)
Acquisitions		-	182,001
Dividends paid		(300,008)	(300,008)
Financing	26	(1,061,299)	-
Decrease in cash in the year		<u>(577,440)</u>	<u>(4,678,654)</u>

Reconciliation of net cash flow to movement in net funds (see note 26)

	2007 £	2006 £
Decrease in cash in the year	(577,440)	(4,678,654)
Cash outflow from reduction in debt financing	1,061,299	-
New finance leases	(121,025)	-
Bank loans acquired with subsidiary undertaking	-	(2,000,000)
Movement in net debt	<u>362,834</u>	<u>(6,678,654)</u>
Net funds at 1 October	436,330	7,114,984
Net funds at 30 September	<u>799,164</u>	<u>436,330</u>

The notes on pages 11 to 31 form part of these financial statements.

1 Accounting policies

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

The company has taken advantage of the exemption conferred by Section 230 of the Companies Act 1985 from presenting its own profit and loss account. The following principal accounting policies have been applied:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of Mersey Waste Holdings Limited and all of its subsidiary undertakings made up to 30 September 2007. The group uses the acquisition method of accounting to consolidate the results of subsidiary undertakings from the date of acquisition.

Goodwill

Goodwill arising on an acquisition of a subsidiary is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. Goodwill arising on consolidation is amortised through the profit and loss account on a straight line basis over its estimated useful life not exceeding ten years.

Purchased goodwill is capitalised and amortised over its expected useful economic life of two years. Impairment tests on the carrying value of goodwill are undertaken:

- at the end of the first full financial year following acquisition;
- in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Turnover

Turnover represents sales to external customers at invoiced amount less value added tax and is stated net of discounts.

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets except freehold land over their expected useful lives. It is calculated using the following annual rates:

Freehold buildings	-	2%
Short leasehold improvements	-	equally over length of lease
Plant and machinery	-	10%
Fixtures and fittings	-	15%
Computer equipment and software	-	25%
Landfill and quarry engineering	-	on the basis of airspace used and minerals extracted

1 Accounting policies (*continued*)

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in, first out basis. Net realisable value is based on estimated selling price less further costs to completion and disposal.

Valuation of investments

Investments held as fixed assets are stated at cost less any provision for a permanent diminution in value. Investments held as current assets are stated at the lower of cost and net realisable value.

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that:

- deferred tax is not recognised on timing differences arising on revalued properties unless the company has entered into a binding sale agreement and is not proposing to take advantage of rollover relief; and
- the recognition of deferred tax assets is limited to the extent that the company anticipates to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances arising from underlying timing differences in respect of tax allowances on industrial buildings are reversed if and when all conditions for retaining those allowances have been met.

Deferred tax balances are not discounted.

Leases and hire purchase contracts

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor. All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

Hire purchase contracts are treated identically to finance leases.

Dividends

Equity dividends are recognised when they become legally payable – final equity dividends are recognised when approved by the shareholders at an annual general meeting.

1 Accounting policies (continued)

Pension costs

The group participates in two pension schemes, the Local Government Pension Scheme (“Merseyside Pension Fund”) and the LAWDC’s Pension Scheme which are defined benefit schemes providing benefits on final pensionable salary.

The difference between the fair value of the assets held in the defined benefit schemes and the schemes liabilities measured on an actuarial basis using the projected unit method are recognised in the group's balance sheet as a pension asset or liability as appropriate. The carrying value of any resulting pension scheme asset is restricted to the extent that the group is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme. The pension scheme balance is recognised net of any related deferred tax balance, with the recognition of any deferred tax asset following the principles described in the deferred tax accounting policy above.

Changes in the defined benefit pension scheme asset or liability arising from factors other than cash contribution by the group are charged to the profit and loss account or the statement of total recognised gains and losses in accordance with FRS 17 'Retirement benefits'.

Research and development

Expenditure on pure and applied research is charged to the profit and loss account in the year in which it is incurred.

Development costs are also charged to the profit and loss account in the year of expenditure, unless individual projects satisfy all of the following criteria:

- the project is clearly defined and related expenditure is separately identifiable;
- the project is technically feasible and commercially viable;
- current and future costs are expected to be exceeded by future sales; and
- adequate resources exist for the project to be completed.

In such circumstances the costs are carried forward and amortised over a period not exceeding 5 years commencing in the year the group starts to benefit from the expenditure.

2 Basis of preparation

The company has two contracts with a major customer which are both due to cease in September 2008. The customer has notified the company that these contracts will be revised and tenders invited for the provision of the services under these contracts. The shareholders of the company have advised the directors that they should not tender for the replacement contracts with this customer beyond the temporary revisions.

The loss of these contracts will see a significant reduction in the forecast turnover of the company and the directors have taken steps to ensure the company will continue to meet its day to day requirements from its working capital.

Negotiations are currently being held to agree on a revised contract to run to September 2009 with the option on the part of the contractor to extend the contract beyond that date. Similarly, the contractor will have the discretion to terminate the agreement at 30 days notice. At the date of signing the balance sheet, no agreements between either party have been signed.

MERSEY WASTE HOLDINGS LIMITED

Notes forming part of the financial statements for the year ended 30 September 2007 (Continued)

2 Basis of preparation (continued)

Additionally, the directors have agreed to the disposal of significant assets within the company to this customer for a value in excess of the balance sheet carrying value. It is not expected that the disposal of these assets will impair the ability of the company to fulfil its contractual obligations as these assets will be made immediately available to the company by the purchaser and will remain so throughout the contract period. The completion date for the disposal of these assets has yet to be confirmed.

It is envisaged however that upon termination of the new contract, the company will cease to trade.

The directors consider that they have taken into account all information they could reasonably be expected to be available in preparing the financial statements and they consider it appropriate to prepare them on the going concern basis.

3 Turnover

All of the group's turnover relates to its principal activity in the United Kingdom.

4 Operating profit	2007	2006
	£	£
This is arrived at after charging:		
Depreciation	2,397,402	471,945
Amortisation of intangible assets	43,933	40,192
Auditors' remuneration	38,000	30,000
- audit services		
- taxation services	9,980	8,000
Hire of plant and machinery – operating leases	3,964,424	3,735,080
Hire of other assets – operating leases	44,609	64,150
Defined benefit pension cost (note 19)	669,000	350,000
Loss on disposal of fixed assets	161,217	-

5 Employees

The average monthly number of employees of the group during the year, including executive directors, was as follows:

	Group 2007	Company 2007	Group 2006	Company 2006
	Number	Number	Number	Number
Sales and administration	69	29	70	28
Site operations	237	-	200	-
	<u>306</u>	<u>29</u>	<u>270</u>	<u>28</u>

Staff costs for all employees, including executive directors, consist of:

	Group 2007	Company 2007	Group 2006	Company 2006
	£	£	£	£
Wages and salaries	7,860,405	730,423	7,095,625	1,165,111
Social security costs	713,804	93,462	621,271	114,844
Other pension costs	494,804	52,631	350,000	350,000
	<u>9,069,013</u>	<u>876,516</u>	<u>8,066,896</u>	<u>1,629,955</u>

MERSEY WASTE HOLDINGS LIMITEDNotes forming part of the financial statements for the year ended 30 September 2007 (*Continued*)**6 Directors**

	2007	2006
	£	£
Directors' emoluments consist of		
Emoluments for services	468,109	487,001
Contributions to defined benefit pension schemes	47,883	31,793
	<u>515,992</u>	<u>518,794</u>

	2007	2006
	£	£
Emoluments of the highest paid director are as follows:		
Emoluments for services (excluding pension contributions)	125,686	155,909
Contributions to defined benefit pension schemes	11,139	9,918
	<u>136,825</u>	<u>165,827</u>

Four directors (2006 - four) participate in the Local Government Pension Scheme (a defined benefit scheme).

7 Interest payable

	2007	2006
	£	£
On finance loans	2,164	-
On bank loans	107,405	37,522
	<u>109,569</u>	<u>37,522</u>

8 Other finance income

	2007	2006
	£	£
Expected return on pension scheme assets	1,016,000	965,000
Interest on pension scheme liabilities	(925,000)	(856,000)
	<u>91,000</u>	<u>109,000</u>

MERSEY WASTE HOLDINGS LIMITED

Notes forming part of the financial statements for the year ended 30 September 2007 (*Continued*)

9 Taxation on profit on ordinary activities

	2007	2007	2006	2006
	£	£	£	£
<i>Current tax</i>				
UK corporation tax on profits of the year	617,986		592,690	
Adjustment in respect of previous years	(44,499)		(17,172)	
	<u> </u>		<u> </u>	
Total current tax		573,487		575,518
<i>Deferred tax</i>				
Origination and reversal of timing differences	(607,089)		(34,111)	
	<u> </u>		<u> </u>	
Movement in deferred tax provision (note 18)		(607,089)		(34,111)
		<u> </u>		<u> </u>
Taxation on profit on ordinary activities		<u>(33,602)</u>		<u>541,407</u>

The tax assessed for the year differs from the standard rate of corporation tax in the UK. The differences are explained below:

	2007	2006
	£	£
Profit on ordinary activities before tax	888,389	1,626,500
	<u> </u>	<u> </u>
Profit on ordinary activities at the standard rate of corporation tax in the UK of 30 % (2006 – 30%)	266,517	487,950
<i>Effects of:</i>		
Expenses not deductible for tax purposes	87,250	(3,958)
Capital allowances for year in excess of depreciation	8,909	(3,796)
Adjustment to tax charge in respect of previous years	(5,875)	(17,172)
Non qualifying depreciation	-	42,656
Short term timing differences	240,440	78,030
Marginal relief	(4,973)	(8,899)
Permanent differences	-	707
Rate differences	13,014	-
Movement in unprovided deferred tax	(31,795)	-
	<u> </u>	<u> </u>
Current tax charge for year	<u>573,487</u>	<u>575,518</u>

MERSEY WASTE HOLDINGS LIMITEDNotes forming part of the financial statements for the year ended 30 September 2007 (*Continued*)**10 Dividends**

	2007	2006
	£	£
Final dividend for the prior year of: 5.8 pence (2006 – 5.8 pence) per share	300,008	300,008
	<u> </u>	<u> </u>

There is a final proposed dividend of 5.8 pence per share for the current year which has not been accrued for as the dividend was declared after the balance sheet date.

11 Intangible assets

Group	Goodwill	Development costs	Total
	£	£	£
<i>Cost</i>			
At 1 October 2006	281,370	106,311	387,681
Additions	940,258	-	940,258
Disposals	-	(5,130)	(5,130)
At 30 September 2007	<u>1,221,628</u>	<u>101,181</u>	<u>1,322,809</u>
<i>Depreciation</i>			
At 1 October 2006	57,750	72,908	130,658
Charge for year	28,212	15,721	43,933
Eliminated on disposal	-	(2,374)	(2,374)
At 30 September 2007	<u>85,962</u>	<u>86,255</u>	<u>172,217</u>
<i>Net book value</i>			
At 30 September 2007	<u>1,135,666</u>	<u>14,926</u>	<u>1,150,592</u>
At 30 September 2006	<u>223,620</u>	<u>33,403</u>	<u>257,023</u>

MERSEY WASTE HOLDINGS LIMITED

Notes forming part of the financial statements for the year ended 30 September 2007 (*Continued*)

12 Tangible assets

Group	Landfill and quarry engineering £	Freehold land and buildings £	Short leasehold improvements £	Plant and machinery £	Fixtures, fittings and equipment £	Total £
<i>Cost</i>						
At 1 October 2006	11,927,019	5,804,613	775,034	1,159,008	1,352,963	21,018,637
Additions	1,719,760	-	7,207	24,519	176,443	1,927,929
Disposals	-	(743,895)	(26,243)	(225,095)	(142,945)	(1,138,178)
At 30 September 2007	<u>13,646,779</u>	<u>5,060,718</u>	<u>755,998</u>	<u>958,432</u>	<u>1,386,461</u>	<u>21,808,388</u>
<i>Depreciation</i>						
At 1 October 2006	-	788,559	519,937	660,907	988,701	2,958,104
Charge for year	1,852,212	183,591	183,608	86,989	86,002	2,397,402
Eliminated on disposal	-	(28,467)	(44,870)	(64,380)	-	(137,717)
At 30 September 2007	<u>1,852,212</u>	<u>943,683</u>	<u>658,675</u>	<u>683,516</u>	<u>1,074,703</u>	<u>5,217,789</u>
<i>Net book value</i>						
At 30 September 2007	<u>11,794,567</u>	<u>4,117,035</u>	<u>97,323</u>	<u>274,916</u>	<u>311,758</u>	<u>16,590,599</u>
At 30 September 2006	<u>11,927,019</u>	<u>5,016,054</u>	<u>255,097</u>	<u>498,101</u>	<u>364,262</u>	<u>18,060,533</u>

The net book value of tangible fixed assets includes an amount of £100,425 (2006 - £nil), in respect of assets held under hire purchase contracts. The related depreciation charge for the year was £20,600 (2006 - £nil).

MERSEY WASTE HOLDINGS LIMITED

Notes forming part of the financial statements for the year ended 30 September 2007 (*Continued*)

12 Tangible assets (*continued*)

Company	Freehold land and buildings £	Plant and machinery £	Fixtures, fittings and equipment £	Total £
<i>Cost</i>				
At 1 October 2006	5,727,200	467,389	879,120	7,073,709
Additions	-	-	27,258	27,258
Disposals	(743,895)	-	(142,945)	(886,840)
At 30 September 2007	<u>4,983,305</u>	<u>467,389</u>	<u>763,433</u>	<u>6,214,127</u>
<i>Depreciation</i>				
At 1 October 2006	751,859	438,127	568,406	1,758,392
Charge for year	65,838	14,035	53,274	133,147
On disposals`	(28,467)	-	-	(28,467)
At 30 September 2007	<u>789,230</u>	<u>452,162</u>	<u>621,680</u>	<u>1,863,072</u>
<i>Net book value</i>				
At 30 September 2007	<u>4,194,075</u>	<u>15,227</u>	<u>141,753</u>	<u>4,351,055</u>
At 30 September 2006	<u>4,975,341</u>	<u>29,262</u>	<u>310,714</u>	<u>5,315,317</u>

MERSEY WASTE HOLDINGS LIMITED

Notes forming part of the financial statements for the year ended 30 September 2007 (Continued)

13 Fixed asset investments

Company	Group undertakings
Cost	£
At 1 October 2006	692
Acquired in the year	808
	=====
At 30 September 2007	1,500
	=====

The following group undertakings were subsidiary undertakings at the end of the year and have all been included in the consolidated financial statements.

Name	Proportion of voting rights and share capital held	Nature of business
Mersey Waste Limited	100%	Waste management and disposal
MWH Consulting Limited	100%	Technical environmental consultants
MWH Recycling Limited	100%	Recycling
MWH Energy Limited	100%	Dormant
MWH Developments Limited	100%	Dormant
MWH Associates Limited *	100%	Operation of a landfill reclamation site
Hafod Quarries Limited **	100%	Dormant
MWH Associates (Employee Benefit Trust) Limited **	100%	Dormant

For all undertakings listed above, the country of operation is the same as its country of incorporation or registration, the United Kingdom.

14 Stocks

	Group 2007	Group 2006
	£	£
Raw materials and consumables	77,528	105,587
	=====	=====

The replacement cost of stock is not materially different to that disclosed above.

MERSEY WASTE HOLDINGS LIMITED

Notes forming part of the financial statements for the year ended 30 September 2007 (*Continued*)

15 Debtors

	Group 2007	Company 2007	Group 2006	Company 2006
	£	£	£	£
Trade debtors	2,582,782	999	1,916,843	999
Other debtors	103,208	11,534	180,159	10,254
Amounts due from group undertakings	-	12,078,205	-	13,235,992
Amount due from Merseyside Waste Disposal Authority	8,833,455	-	8,310,991	10,434
Prepayments and accrued income	4,856,405	93,940	413,447	108,391
Deferred tax (Note 18)	234,290	122,592	-	-
	<u>16,610,140</u>	<u>12,307,270</u>	<u>10,821,440</u>	<u>13,366,070</u>

16 Creditors: amounts falling due within one year

	Group 2007	Company 2007	Group 2006	Company 2006
	£	£	£	£
Bank loans and overdraft (secured)	8,080,881	7,019,257	7,923,153	6,828,282
Trade creditors	11,808,433	253,228	7,422,133	193,150
Other creditors	876,150	694,125	436,413	395,659
Amounts owed to group undertakings	-	3,046,934	-	3,341,671
Tax and Social Security	1,743,594	825,107	816,164	545,343
Corporation tax	612,481	169,533	542,887	244,631
Accruals and deferred income	11,644,651	200,547	10,121,044	144,842
Obligations under hire purchase contracts	59,726	-	-	-
	<u>34,825,916</u>	<u>12,208,731</u>	<u>27,261,794</u>	<u>11,693,578</u>

The bank overdraft and loan is secured over certain assets of the group.

17 Creditors: amounts falling due after more than one year

	Group 2007	Group 2006
	£	£
Bank loan (secured)	-	1,000,000
Trade creditors	-	3,100,000
	<u>-</u>	<u>4,100,000</u>

MERSEY WASTE HOLDINGS LIMITED

Notes forming part of the financial statements for the year ended 30 September 2007 (*Continued*)

18 Provision for liabilities and charges - deferred taxation

The amount of deferred taxation provided is as follows:

Group	2007	2006
	£	£
Capital allowances	454,044	453,199
Sundry timing differences	(688,334)	(80,400)
	<u>(234,290)</u>	<u>372,799</u>
	<u><u> </u></u>	<u><u> </u></u>
Company	2007	2006
	£	£
Capital allowances	454,044	453,199
Sundry timing differences	(576,636)	(80,400)
	<u>(122,592)</u>	<u>372,799</u>
	<u><u> </u></u>	<u><u> </u></u>

	Group	Company	Group	Company
	2007	2007	2006	2006
	£	£	£	£
Deferred taxation movements:				
Balance at 1 October	372,799	372,799	406,910	406,910
Transfer from profit and loss account	(607,089)	(495,391)	(34,111)	(34,111)
	<u>(234,290)</u>	<u>(122,592)</u>	<u>372,799</u>	<u>372,799</u>
	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>

19 Pensions

The group participates in two defined benefit pension schemes, the Local Government Pension Scheme ('Merseyside Pension Fund') and the LAWDC's Pension Scheme.

The pension cost relating to the schemes is assessed every three years in accordance with the advice of a qualified actuary using the projected unit method. The most recent formal valuations were as follows:

The Local Government Pension Scheme ('Merseyside Pension Fund')

Nature of Scheme: Defined Benefit
Date of last full Actuarial Valuation: 31 March 2004

The LAWDC Pension Fund Scheme

Nature of scheme: Defined Benefit
Date of last full Actuarial Valuation: 31 March 2003

The full actuarial valuations of the defined benefit schemes were updated to 30 September 2007 by a qualified independent actuary on a FRS 17 basis. The major assumptions at 30 September 2007 used by the actuary were:

The Local Government Pension Scheme ('Merseyside Pension Fund')

	2007	2006	2005
Rate of increase in salaries	4.65%	4.25%	4.05%
Rate of increase in pensions in payment	3.4%	3.0%	2.8%
Discount rate	5.9%	5%	5%
Inflation assumption	3.4%	3.0%	2.8%

The LAWDC Pension Fund Scheme

	2007	2006	2005
Rate of increase in salaries	4.5%	4.0%	3.9%
Rate of increase in pensions in payment	3.5%	3.0%	2.9%
Discount rate	5.9%	5%	5%
Inflation assumption	3.5%	3.0%	2.9%

MERSEY WASTE HOLDINGS LIMITED

Notes forming part of the financial statements for the year ended 30 September 2007 (Continued)

19 Pension (continued)

The net pension asset / (liability) recognised in the balance sheet is made up as follows:

	30 September	
	2007	2006
	£'000	£'000
Merseyside Pension Fund	(158)	(689)
The LAWDC Pension Fund Scheme	177	(288)
Net pension asset / (liability)	19	(977)
	19	(977)

The amount payable by the company were it to cease participating in the schemes is almost certain to be more than the FRS 17 liability.

The fair value of the group's share of the total assets in the schemes and the expected rates of return at 30 September 2007 were:

(i) The Local Government Pension Scheme ('Merseyside Pension Fund')

	Long term rate of return expected at 2007	Value at 2007	Long term rate of return expected at 2006	Value at 2006	Long term rate of return expected at 2005	Value at 2005
	%	£'000	%	£'000	%	£'000
Equities	7.5%	9,381	7.0%	8,345	7.5%	7,835
Government bonds	4.8%	2,442	4.3%	2,638	4.3%	2,354
Other bonds	5.8%	933	5.0%	774	5.0%	654
Property	6.5%	1,400	6.0%	1,362	6.5%	1,242
Cash	5.75%	513	4.75%	487	4.5%	418
Other	7.5%	887	7.0%	731	7.5%	575
Total market value of assets		15,556		14,337		13,078
Present value of scheme liabilities		(15,776)		(15,321)		(14,397)
Deficit in the scheme		(220)		(984)		(1,319)
Related deferred tax asset		62		295		396
Net pension asset		(158)		(689)		(923)

	2007	2006
	£'000	£'000
<i>Movement in deficit during the year</i>		
Deficit in scheme at beginning of year	(984)	(1,319)
Operating cost	(328)	(329)
Other finance income	90	393
Actuarial gains and losses	796	110
Contributions paid	206	161
Deficit in scheme and at end of year	(220)	(984)

MERSEY WASTE HOLDINGS LIMITED

Notes forming part of the financial statements for the year ended 30 September 2007 (*Continued*)

19 Pension (*continued*)

(ii) *The LAWDC Pension Fund Scheme ("LAWDC")*

	Long term rate of return expected at 2007 %	Value at 2007 £'000	Long term rate of return expected at 2006 %	Value at 2006 £'000	Long term rate of return expected at 2005 %	Value at 2005 £'000
Equities	7.00%	2,674	6.5%	2,239	6.6%	1,861
Government bonds	5.9%	165	5.0%	90	4.3%	102
Corporate bonds	4.7%	101	4.2%	144	5.0%	68
Cash	5.75%	123	4.75%	95	4.5%	16
Total market value of assets		<u>3,063</u>		<u>2,568</u>		<u>2,047</u>
Present value of scheme liabilities		(2,817)		(2,979)		(2,527)
Surplus/(deficit) in the scheme		<u>246</u>		<u>(411)</u>		<u>(480)</u>
Related deferred tax (liability) / asset		(69)		123		144
Net pension surplus/(deficit)		<u>177</u>		<u>(288)</u>		<u>(336)</u>

	2007 £'000	2006 £'000
<i>Movement in deficit during the year</i>		
Deficit in scheme at beginning of year	(411)	(480)
Operating cost	(341)	(301)
Other finance income / (costs)	1	(4)
Actuarial gains and losses	737	150
Contributions paid	260	224
Surplus/deficit in scheme at end of year	<u>246</u>	<u>(411)</u>

MERSEY WASTE HOLDINGS LIMITEDNotes forming part of the financial statements for the year ended 30 September 2007 (*Continued*)**19 Pension** (*continued*)

The analysis of the amount charged to operating profit (note 4) is as follows:

	2007	2006
	£'000	£'000
<i>Merseyside Pension Fund</i>		
Current service cost	328	329
Past service cost	-	(280)
<i>LAWDC</i>		
Current service cost	341	301
	<u>669</u>	<u>350</u>
	<u><u>669</u></u>	<u><u>350</u></u>

The analysis of the amounts recognised in the statement of total recognised gains and losses is as follows:

	2007	2006
	£'000	£'000
<i>Merseyside Pension Fund</i>		
Actual return less expected return on pension scheme asset	446	585
Changes in assumptions underlying the present value of the scheme liabilities	350	(475)
<i>LAWDC</i>		
Actual return less expected return on pension scheme asset	72	123
Experience losses arising on the scheme liabilities	39	347
Changes in assumptions underlying the present value of the scheme liabilities	626	(320)
	<u>1,533</u>	<u>260</u>
Actuarial gain recognised in statement of total recognised gains and losses	<u><u>1,533</u></u>	<u><u>260</u></u>

MERSEY WASTE HOLDINGS LIMITED

Notes forming part of the financial statements for the year ended 30 September 2007 (*Continued*)

19 Pension (*continued*)

The history of experience gains and losses is as follows:

	2007	2006	2005	2004	2003
<i>Merseyside Pension Fund</i>					
Difference between the expected and actual return on scheme assets:					
£000's	446	585	1,522	419	634
% of scheme assets	2.9%	4.1%	11.7%	3.8%	6.4%
Total amount recognised in statement of total recognised gains and losses:					
£000's	796	110	102	652	(598)
% of the present value of scheme liabilities	5.1%	0.7%	0.7%	5.4	-5.2%

LAWDC

Difference between the expected and actual return on scheme assets:

£000's	72	123	256	26	-
% of scheme assets	2.36%	4.81%	12.53%	1.8%	-

Experience gains and losses on scheme liabilities:

£000's	39	347	4	(24)	-
% of present value of scheme liabilities	1.39%	11.63%	0.16%	-1.3%	-

Total amount recognised in statement of total recognised gains and losses:

£000's	737	150	6	(49)	-
% of the present value of scheme liabilities	26.19%	5.02%	0.24%	-2.65%	-

MERSEY WASTE HOLDINGS LIMITED

Notes forming part of the financial statements for the year ended 30 September 2007 (*Continued*)

20 Share capital

	Authorised 2007 £	Allotted, called up and fully paid 2007 £	Authorised 2006 £	Allotted, called up and fully paid 2006 £
5,138,002 ordinary shares of £1 each	10,000,000	5,138,002	10,000,000	5,138,002
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

21 Reserves

Group	Profit and loss account £
At 1 October 2006	1,695,229
Profit for the year	921,991
Dividends	(300,008)
Actuarial gain on pension liability net of related taxation	1,106,400
At 30 September 2007	<u>3,423,612</u>
	<u> </u>
Company	Profit and loss account £
At 1 October 2006	501,385
Loss for the year	(1,975,687)
Dividends	(300,008)
Actuarial gain on pension liability net of related taxation	1,106,400
At 30 September 2007	<u>(667,910)</u>
	<u> </u>

The company has taken advantage of section 230 of the Companies Act 1985 and not published its own profit and loss account. Included in the consolidated profit attributable to shareholders is a loss of £1,975,687 (2006 - profit of £766,672) which has been dealt with in the accounts of the parent undertaking.

MERSEY WASTE HOLDINGS LIMITEDNotes forming part of the financial statements for the year ended 30 September 2007 (*Continued*)**22 Reconciliation of movement in shareholders' funds**

	2007 £	2006 £
Company		
(Loss)/profit for the year	(1,975,687)	776,672
Dividends	(300,008)	(300,008)
	<u>(2,275,695)</u>	<u>476,664</u>
Other net recognised gains and losses relating to the year	1,106,400	138,800
	<u>(1,169,295)</u>	<u>615,464</u>
Net (reduction)/addition to shareholders' funds	5,639,387	5,023,923
Opening shareholders' funds	<u>4,470,092</u>	<u>5,639,387</u>
Closing shareholders' funds	<u><u>4,470,092</u></u>	<u><u>5,639,387</u></u>
	2007 £	2006 £
Group		
Profit for the year	921,991	1,085,093
Dividends	(300,008)	(300,008)
	<u>621,983</u>	<u>785,085</u>
Other net recognised gains and losses relating to the year	1,106,400	138,800
	<u>1,728,383</u>	<u>923,885</u>
Net additions to shareholders' funds	6,833,231	5,909,346
Opening shareholders' funds	<u>8,561,614</u>	<u>6,833,231</u>
Closing shareholders' funds	<u><u>8,561,614</u></u>	<u><u>6,833,231</u></u>

23 Contingent liabilities

The company has guaranteed the bank borrowings of fellow group undertakings which at the balance sheet date amounted to £61,624 (2006 - £94,871). This cross guarantee is secured on the assets of the group.

The directors are aware of a potential dispute surrounding a former supplier in relation to the termination of a contract. Based on legal advice received, the directors consider that this claim has no foundation.

MERSEY WASTE HOLDINGS LIMITEDNotes forming part of the financial statements for the year ended 30 September 2007 (*Continued*)**24 Commitments under operating leases**

At the balance sheet date, the group had annual commitments under non-cancellable operating leases as set out below:

	2007		2006	
	Land and buildings £	Other £	Land and buildings £	Other £
Operating leases which expire:				
Within one year	-	2,318,930	-	48,488
In two to five years	108,878	768,210	102,307	3,691,151
	<u>108,878</u>	<u>3,087,140</u>	<u>102,307</u>	<u>3,739,639</u>

25 Reconciliation of operating profit to net cash outflow from operating activities

	2007 £	2006 £
Operating profit	764,802	1,035,277
Depreciation	2,397,402	471,945
Amortisation	43,933	40,192
Decrease/(increase) in stocks	28,059	(22,971)
(Increase)/decrease in debtors	(1,219,393)	2,909,708
Decrease in creditors	(157,943)	(8,981,274)
Difference between pension charge and cash contribution	202,000	(35,000)
Loss on disposal of fixed assets	161,217	-
Net cash inflow / (outflow) from operating activities	<u>2,220,077</u>	<u>(4,582,123)</u>

26 Notes to the cash flow statement

i) Gross cash flows	2007 £	2006 £
Returns on investments and servicing of finance		
Interest received	142,156	519,745
Interest paid	(109,569)	(37,522)
	<u>32,587</u>	<u>482,223</u>
Capital expenditure		
Payments to acquire intangible assets	-	(5,130)
Payments to acquire tangible assets	(1,806,904)	(212,751)
Receipts from sale of tangible fixed assets	839,244	-
Receipts from sale of intangible fixed assets	2,756	-
	<u>(964,904)</u>	<u>(217,881)</u>
Acquisitions		
Cash acquired with subsidiary undertaking	-	182,001

MERSEY WASTE HOLDINGS LIMITED

Notes forming part of the financial statements for the year ended 30 September 2007 (*Continued*)

26 Notes to the cash flow statement (*continued*)

	2007	2006
	£	£
Financing		
Repayment of bank loan	1,000,000	-
Capital element of finance lease rental payments	61,299	-
	<u>1,061,299</u>	<u>-</u>
	<u><u>1,061,299</u></u>	<u><u>-</u></u>

ii) Analysis of changes in net funds

	At 1 October 2006	Cash flows	Other non-cash items	At 30 September 2007
	£	£	£	£
Cash at bank and in hand	9,359,483	(419,712)	-	8,939,771
Overdraft	(6,923,153)	(157,728)	-	(7,080,881)
		<u>(577,440)</u>		
Debt due within one year	(1,000,000)	-	-	(1,000,000)
Debt due after one year	(1,000,000)	1,000,000	-	-
Hire purchase	-	61,299	(121,025)	(59,726)
Net funds	<u>436,330</u>	<u>483,859</u>	<u>(121,025)</u>	<u>799,164</u>
	<u><u>436,330</u></u>	<u><u>483,859</u></u>	<u><u>(121,025)</u></u>	<u><u>799,164</u></u>

27 Related party transactions

The group is classified under the Environmental Protection Act 1990 as a controlled arms length local authority waste disposal company. The company is controlled by its shareholders, Merseyside Waste Disposal Authority. The following transactions took place during the year:

- The turnover of the group transacted with MWDA was £44m (2006 - £37.3m)
- Discounts were given to MWDA by the company of £3.4m (2006 - £3.4m)

The company has taken advantage of the exemption allowed by FRS 8 “Related Party Transactions” not to disclose any transactions with entities that are included in the consolidated financial statements of Mersey Waste Holdings Limited.

The page which follows does not
form part of the statutory
financial statements of the company

MERSEY WASTE HOLDINGS LIMITED**Detailed profit and loss account for the year ended 30 September 2007**

	2007		2006	
	£	£	£	£
Turnover		3,277,286		2,989,147
Administrative expenses		6,449,292		2,876,398
		<u>(3,172,006)</u>		<u>112,749</u>
Dividends from subsidiary undertakings		-		228,000
Operating (loss)/profit		<u>(3,172,006)</u>		<u>340,749</u>
Interest receivable	779,316		519,745	
Other finance income	91,000		109,000	
	<u> </u>	870,316	<u> </u>	628,745
(Loss)/profit on ordinary activities before taxation		<u>(2,301,690)</u>		<u>969,494</u>
Taxation on (loss)/profit on ordinary activities		326,003		(192,822)
(Loss)/profit for the financial year		<u>(1,975,687)</u>		<u>776,672</u>