

**CASELLA SCIENCE AND
ENVIRONMENT LIMITED**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2001



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Company no 106869

CASELLA SCIENCE AND ENVIRONMENT LIMITED

FINANCIAL STATEMENTS

For the year ended 30 June 2001

Company registration number: 106869

Registered office: Regent House
Wolseley Road
Kempston
Bedfordshire

Directors: N Peacock
P A Robson
W Pope

Secretary: P A Robson

Auditors: Grant Thornton
Registered auditors
Chartered accountants

CASELLA SCIENCE AND ENVIRONMENT LIMITED

FINANCIAL STATEMENTS

For the year ended 30 June 2001

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CASELLA SCIENCE AND ENVIRONMENT LIMITED

REPORT OF THE DIRECTORS

The directors present their report together with financial statements for the year ended 30 June 2001.

Principal activities and business review

The company is principally engaged in the provision of specialist services required to investigate, monitor and supervise improvements to the environment.

On the 1 July 2000 the company transferred the trading activities of certain of its operations to its fellow subsidiary, Stanger Limited.

There was a profit for the year after taxation amounting to £128,718. The directors recommend payment of dividends of £100,000.

Directors

The present membership of the Board consists of Mr W Pope, Mr P A Robson, and Mr N Peacock. All directors served throughout the year, apart from Mr S G Creed who resigned as a director on 12 October 2001.

The interests of those directors who are directors of the holding company are shown in the accounts of the holding company. Mr N Peacock holds no interest in the company or its parent undertaking.

Directors' responsibilities for the financial statements

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 profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

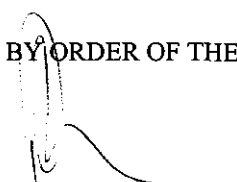
- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the 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 maintaining proper accounting records, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

Grant Thornton offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

BY ORDER OF THE BOARD


P A Robson
Secretary

23/3/02

**REPORT OF THE AUDITORS TO THE MEMBERS OF
CASELLA SCIENCE AND ENVIRONMENT LIMITED**

We have audited the financial statements on pages 3 to 10 which have been prepared under the accounting policies set out on page 3.

Respective responsibilities of directors and auditors

As described on page 1 the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

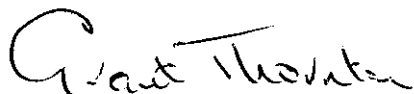
Basis of opinion

We conducted our audit in accordance with United Kingdom Auditing Standards 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 June 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS**

NORTHAMPTON

23 March 2002

CASELLA SCIENCE AND ENVIRONMENT LIMITED

PRINCIPAL ACCOUNTING POLICIES

BASIS OF PREPARATION

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

The principal accounting policies of the company have remained unchanged from the previous year and are set out below.

TURNOVER

Turnover is the total amount receivable by the company for goods supplied and services provided, excluding VAT and trade discounts.

INCOME FROM INVESTMENTS

Investment income comprises dividends declared during the accounting period and interest receivable on listed and unlisted investments.

INVESTMENTS

Investments are included at cost/cost less amounts written off. Profits or losses arising from disposals of fixed asset investments are treated as part of the result from ordinary activities.

INTANGIBLE FIXED ASSETS

Purchased goodwill is amortised on a straight-line basis over its estimated useful economic life of 20 years.

CONTRIBUTIONS TO PENSION FUNDS

Defined contribution scheme

The pension costs charged against profits represent the amount of the contributions payable to the scheme in respect of the accounting period.

CASELLA SCIENCE AND ENVIRONMENT LIMITED**PROFIT AND LOSS ACCOUNT**

For the year ended 30 June 2001

	Note	2001 £	2000 £
Turnover	1	3,953,609	5,492,119
Cost of sales		(3,036,158)	(3,922,238)
Gross profit		917,451	1,569,881
Administrative expenses		(871,691)	(1,557,211)
Operating profit		45,760	12,670
Income from other fixed asset investments	3	100,000	-
Profit on ordinary activities before taxation	1	145,760	12,670
Tax on profit on ordinary activities	4	(17,042)	(2,646)
Profit for the financial year	12	128,718	10,024
Dividends		(100,000)	-
Profit transferred to reserves	11	28,718	10,024

There were no recognised gains or losses other than the profit for the financial year.

The accompanying accounting policies and notes form an integral part of these financial statements.

CASELLA SCIENCE AND ENVIRONMENT LIMITED

BALANCE SHEET AT 30 JUNE 2001

	Note	2001 £	2001 £	2000 £	2000 £
Fixed assets					
Intangible assets	5		497,624		341,463
Investments	6		4,310,443		-
			<u>4,808,067</u>		<u>341,463</u>
Current assets					
Debtors	7	510,958		59,165	
Creditors: amounts falling due within one year	8	(407,988)		(2,646)	
Net current assets			102,970		56,519
Total assets less current liabilities			4,911,037		397,982
Creditors: amounts falling due after more than one year	9		(4,556,747)		(72,410)
			<u>354,290</u>		<u>325,572</u>
Capital and reserves					
Called up share capital	10		300,816		300,816
Profit and loss account	11		53,474		24,756
Shareholders' funds	12		<u>354,290</u>		<u>325,572</u>
Equity shareholders' funds			352,290		323,572
Non-equity shareholders' funds			2,000		2,000
			<u>354,290</u>		<u>325,572</u>

The financial statements were approved by the Board of Directors on 23 March 2002

P A Robson

Director

W Pope

Director

The accompanying accounting policies and notes form an integral part of these financial statements.

CASELLA SCIENCE AND ENVIRONMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2001

1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The turnover and profit before taxation are attributable to the activities stated in the Report of the Directors.

The profit on ordinary activities is stated after:

	2001 £	2000 £
Auditors' remuneration:		
Audit services	7,000	4,500
Non-audit services	1,500	900
Amortisation:		
Goodwill	26,033	13,200

2 DIRECTORS AND EMPLOYEES

Staff costs during the year were as follows:

	2001 £	2000 £
Wages and salaries	1,810,055	2,742,039
Social security costs	220,496	268,526
Other pension costs	95,020	70,923
	2,125,571	3,081,488

The average number of employees of the company during the year was 97 (2000: 130).

Remuneration in respect of directors was as follows:

	2001 £	2000 £
Emoluments	52,167	-

During the year 1 (2000: Nil) director participated in a defined contribution pension scheme.

3 INCOME FROM OTHER FIXED ASSET INVESTMENTS

	2001 £	2000 £
From other fixed asset investments in group undertakings	100,000	-
	100,000	-

CASELLA SCIENCE AND ENVIRONMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2001

4 TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge represents:

	2001 £	2000 £
UK Corporation tax at 20% (2000: 20%)	19,688	2,646
	<u>19,688</u>	<u>2,646</u>
Adjustments in respect of prior periods:		
Corporation tax	(2,646)	-
	<u>17,042</u>	<u>2,646</u>

5 INTANGIBLE FIXED ASSETS

	Purchased goodwill £
Cost	
At 1 July 2000	354,663
Additions	182,194
	<u>536,857</u>
At 30 June 2001	
Amortisation	
At 1 July 2000	13,200
Charge for the year	26,033
	<u>39,233</u>
At 30 June 2001	
Net book amount at 30 June 2001	<u>497,624</u>
Net book amount at 30 June 2000	<u>341,463</u>

CASELLA SCIENCE AND ENVIRONMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2001

6 FIXED ASSETS INVESTMENTS

	Shares in group undertakings £	Total £
Additions at cost and net book amount at 30 June 2001	<u>4,310,443</u>	<u>4,310,443</u>

On 13 December 2000 the company acquired the entire share capital of Winton Holdings Limited for a consideration of £4,310,443 satisfied in cash.

Winton Holdings Limited is a holding company which owns 100% of the issued share capital of Winton Environmental Management Limited, it does not trade in its own capacity.

The company is entitled under section 228 of the Companies Act 1985 not to prepare group financial statements since its parent undertaking, The Casella Group Limited, prepares full financial statements which include this company.

7 DEBTORS

	2001 £	2000 £
Amounts owed by group undertakings	<u>510,958</u>	<u>59,165</u>

8 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2001 £	2000 £
Amounts owed to group undertakings	288,300	-
Corporation tax - group relief	19,688	2,646
Proposed dividends	100,000	-
	<u>407,988</u>	<u>2,646</u>

9 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2001 £	2000 £
Amounts owed to group undertakings	<u>4,556,747</u>	<u>72,410</u>

CASELLA SCIENCE AND ENVIRONMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2001

10 SHARE CAPITAL

	2001 £	2000 £
Authorised		
299,000 ordinary shares of £1 each	299,000	299,000
2,000 4.9% preference shares of £1 each	2,000	2,000
	<u>301,000</u>	<u>301,000</u>
Allotted, called up and fully paid		
298,816 ordinary shares of £1 each	298,816	298,816
2,000 4.9% preference shares of £1 each	2,000	2,000
	<u>300,816</u>	<u>300,816</u>

Preference shares

The 4.9% preference shares of £1 each are non-equity shares which carry an entitlement to a dividend at the rate of 4.9p (net) per share per annum. Holders of preference shares have one vote per share but only on a resolution for the winding-up of the company or on a resolution affecting the rights attached to the shares. Preference share shareholders have the right on a winding-up to receive, in priority to any other class of shares, the sum of £1 per share.

11 RESERVES

	Profit and loss account £
At 1 July 2000	24,756
Retained profit for the year	28,718
At 30 June 2001	<u>53,474</u>

12 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2001 £	2000 £
Profit for the financial year and net increase in shareholders funds	128,718	10,024
Dividends	(100,000)	-
	<u>28,718</u>	<u>10,024</u>
Shareholders' funds at 1 July 2000	325,572	315,548
Shareholders' funds at 30 June 2001	<u>354,290</u>	<u>325,572</u>

CASELLA SCIENCE AND ENVIRONMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2001

13 CAPITAL COMMITMENTS

The company had no capital commitments at 30 June 2001 or 30 June 2000.

14 CONTINGENT LIABILITIES

The company has a cross-guarantee for certain bank borrowings with group companies. The potential liability at 30 June 2001 was £6,866,684 (2000: £1,787,456).

15 PENSIONS

Defined Contribution Scheme

The company operates a defined contribution pension scheme for the benefit of the employees. The assets of the scheme are administered by trustees in a fund independent from those of the company.

16 RELATED PARTY TRANSACTIONS

As a wholly owned subsidiary, the company is exempt from the requirements of FRS 8 to disclose transactions with other members of the group.

17 ULTIMATE PARENT UNDERTAKING

The directors consider that the ultimate parent undertaking and controlling related party of this company is The Casella Group Limited, registered in England and Wales.