Castle Waste Services Limited

Directors' report and financial statements

Registered number 01359619

30 September 2005

Contents

Company information

Directors	MR Hewitt PK Meister AM Elliott N Bowen SR Cowley D Unsworth
Secretary	PK Meister
Registered office	Treatment Centre Crompton Road Ilkeston Derbyshire DE7 4BG
Bankers	National Westminster Bank plc PO Box 13 5 Market Place Chesterfield Derbyshire S40 1TJ
Auditors	KPMG LLP St Nicholas House Park Row Nottingham NG1 6FQ

Directors' report

The directors present their report and the audited financial statements for the year ended 30 September 2005.

Principal activity

The principal activity of the company is waste disposal.

The principal activity of the company's subsidiary undertaking is oil reclamation and waste disposal.

Business review

The company trades as Castle Environmental.

It is pleasing to note that Castle Waste Services Ltd increased its turnover by over £1m and achieved a post-tax profit of £311k, compared to a post-tax loss of (£191k) in the previous year.

The above result is a further step in the continued progress that the company has made to position itself to take advantage of the implementation of the EU Landfill Directive. The process over the years has not been easy, but, as anticipated by the directors, the Landfill Directive has changed the way in which hazardous waste is treated and disposed. The result is that a far greater volume is now treated for final disposal to non-hazardous landfill sites, with a smaller volume going to hazardous landfill sites. Although further time will be required for the sector to stabilise, the directors believe that the changes in disposal will continue and that benefits will continue to accrue.

The company has lodged its application to the Environment Agency for the PPC Permit that will replace its existing Waste Management Licence.

The directors remain confident in the future trading prospects of the company.

Dividends and transfers to reserves

The results for the year are shown in the profit and loss account on page 6.

The directors do not propose the payment of a dividend *(2004: £nil)*.

Market value of land and buildings

In the opinion of the directors there is no significant difference between the present market value of the company's properties and the amounts at which they are stated in the financial statements.

Directors and directors' interests

None of the directors hold an interest in the shares of the company as it is a wholly owned subsidiary of Castle Environmental Limited, which in turn is a wholly owned subsidiary of Hillbridge Investments Limited. The directors and their interests in the shares of that company are as follows:

	At beginning and end of year Shares of £0.01 each	
	'A' ordinary Number	'B' ordinary Number
MR Hewitt	-	291,675
PK Meister	-	-
AM Elliott	-	-
N Bowen	-	-
SR Cowley	-	-
D Unsworth	-	-

Directors' report *(continued)*

Directors and directors' interests *(continued)*

According to the register of directors' interests, no rights to subscribe for shares in or debentures of the company or any other group company, were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

PK Meister
Secretary

Dated: 7 July 2006

Statement of directors' responsibilities

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 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG LLP
St Nicholas House
Park Row
Nottingham NG1 6FQ
United Kingdom

Independent auditors' report to the members of Castle Waste Services Limited

We have audited the financial statements on pages 6 to 15.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 4, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you 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 transactions with the group is not disclosed.

Basis of opinion

We conducted our audit in accordance with 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 group'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 affairs of the company as at 30 September 2005 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

Dated: 17 July 2006

Chartered Accountants
Registered Auditor

Profit and loss account
for the year ended 30 September 2005

	Note	2005 £	2004 £
Turnover	2	**7,311,798**	6,273,010
Cost of sales		**(4,362,291)**	(3,652,259)
Gross profit		**2,949,507**	2,620,751
Administrative expenses		**(3,299,683)**	(2,991,013)
Other operating income		**621,563**	129,823
Operating profit/(loss)	3	**271,387**	(240,439)
Interest receivable	4	**48**	587
Interest payable and similar charges	5	**(1,470)**	(556)
Profit/(loss) on ordinary activities before taxation		**269,965**	(240,408)
Taxation on profit/(loss) on ordinary activities	6	**41,242**	49,185
Profit/(loss) for the financial year	16	**311,207**	(191,223)

In both the current and the preceding year, the company made no material acquisitions and had no discontinued operations.

There are no recognised gains or losses in either the current or the preceding year other than those disclosed in the profit and loss account.

Balance sheet
as at 30 September 2005

	Note		**2005**		2004
		£	£	£	£
Fixed assets					
Intangible assets	*8*		**87,278**		-
Tangible assets	*9*		**1,510,442**		1,535,160
Investments	*10*		**1,079,539**		1,079,539
			2,677,259		2,614,699
Current assets					
Stocks	*11*	**12,300**		18,955	
Debtors	*12*	**2,390,310**		1,794,234	
Cash at bank and in hand		**525,924**		175,227	
		2,928,534		1,988,416	
Creditors: amounts falling due within one year	*13*	**(1,939,883)**		(1,881,179)	
Net current assets			**988,651**		107,237
Total assets less current liabilities			**3,665,910**		2,721,936
Financed by:					
Creditors: amounts falling due after more than one year	*14*		**6,400,050**		5,767,283
Capital and reserves					
Called up share capital	*15*	**100**		100	
Investment revaluation reserve	*16*	**659,539**		659,539	
Profit and loss account	*16*	**(3,393,779)**		(3,704,986)	
Shareholders' deficit - equity interests	*17*		**(2,734,140)**		(3,045,347)
			3,665,910		2,721,936

These financial statements were approved by the board of directors on 7 July 2006 and were signed on its behalf by:

MR Hewitt
Director

PK Meister
Director

Notes
(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules except that investments in subsidiaries are included at valuation.

Going concern

Having prepared projected cash flow information for the period ending 12 months from the date of their approval of these financial statements, the directors, whilst recognising that cash flows cannot be predicted with absolute certainty, consider that the company will continue to operate within its currently agreed facilities. Accordingly, the financial statements have been prepared on the going concern basis which the directors believe to be appropriate. The company's parent company has indicated that it will continue to provide financial support for the foreseeable future.

Cash flow statement

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that the ultimate parent undertaking includes the cash flows of the company in its consolidated cash flow statement.

Depreciation

Depreciation of fixed assets is calculated to write off their cost less any residual value over the estimated useful lives as follows:

Freehold buildings	- 2-6% on cost
Motor vehicles	- 25% on net book value
Plant and machinery	- 15-50% on net book value
Fixtures and fittings	- 15% on net book value
Office equipment	- 25% on cost

Freehold land is not depreciated.

Investments in subsidiaries

Investments in subsidiaries are stated at directors' valuation.

Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, purchase price is used.

Notes *(continued)*

1 Accounting policies *(continued)*

Leases and hire purchase contracts

Tangible fixed assets acquired under finance leases and hire purchase contracts are capitalised at the estimated fair value at the date of inception of each lease or contract. The total finance charges are allocated over the period of the lease in such a way as to give a constant charge on the outstanding liability.

Operating lease rentals are charged to the profit and loss account on a straight line basis over the term of the lease.

Deferred taxation

Deferred tax is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by Financial Reporting Standard 19.

Goodwill

Prior to 31 March 1997, goodwill arising on the acquisition of a trade was written off immediately to the profit and loss account. When a subsequent disposal occurs any related goodwill previously written off to reserves is written back through the profit and loss account as part of the profit or loss on disposal.

Pensions

The cost of contributing to the personal pension schemes of certain employees is charged to the profit and loss account in the period in which the contributions become payable.

2 Turnover

Turnover represents the amount derived from the provision of goods and services which fall within the company's ordinary activities, entirely within the United Kingdom, stated net of value added tax.

3 Operating (loss)/profit

		2005	2004
		£	£
Operating (loss)/profit is stated after charging/(crediting):			
Auditors' remuneration	- audit	**18,000**	18,000
	- in respect of other services	**9,250**	9,250
Loss on sale of assets		**3083**	587
Depreciation of tangible fixed assets		**223,022**	207,307
Hire of plant and machinery	- rentals payable under operating leases	**148,251**	149,985

4 Interest receivable

	2005	2004
	£	£
Interest on taxation	**48**	-
Bank interest	-	587
	48	587

Notes *(continued)*

5 Interest payable and similar charges

	2005 £	2004 £
On bank loans and overdrafts	**1,470**	293
Hire and lease purchase interest	-	263
	1,470	556

6 Taxation

	2005 £	2004 £
UK corporation tax		
Current tax on income for the period	-	(46,362)
Adjustments in respect of prior periods	**1,918**	(2,823)
Total current tax	**1,918**	(49,185)
Deferred tax		
Origination/reversal of timing differences in the period	**(43,160)**	-
Tax on profit/(loss) on ordinary activities	**(41,242)**	(49,185)

Factors affecting the tax credit for the current period

The current tax credit for the period is lower *(2004: lower)* than the standard rate of corporation tax in the UK 30% *(2004: 30%)*. The differences are explained below.

	2005 £	2004 £
Current tax reconciliation		
Profit/(loss) on ordinary activities before tax	**269,965**	(240,408)
Current tax at 30% (2004: 30%)	**80,990**	(72,122)
Effects of:		
Expenses not deductible for tax purposes	**6,481**	5,322
Depreciation for period in excess of capital allowances	**3,854**	24,082
Utilisation of tax losses	**(91,935)**	-
Deduction for R&D tax credits	-	(33,437)
Surrender for tax credits for repayment	-	30,161
Utilisation of provisions previously disallowed for tax	**610**	(368)
Adjustments to tax charge in respect of previous periods	**1,918**	(2,823)
Total current tax charge (see above)	**1,918**	(49,185)

Factors that may affect future tax charges

As noted below, the company has identified a deferred tax asset of £390,865 *(2004: £530,089)* relating to unrelieved tax losses which has not been recognised due to the timing of sufficient taxable profits in the future, against which the underlying timing differences can be deducted cannot be seen with reasonable certainty. An appropriate asset will be recognised when the company can demonstrate a return to taxable profits and a reasonable expectation of sufficient profits to utilise the timing differences.

Notes *(continued)*

6 Taxation *(continued)*

The analysis of provided and unprovided deferred tax at the end of the year is as follows:

	2005		2004	
	Provided	**Unprovided**	Provided	Unprovided
	£	**£**	£	£
Difference between accumulated depreciation and capital allowances	**(22,928)**	**-**	-	(17,686)
Other short term timing differences	**6,088**	**-**	-	5,478
Unrelieved tax losses	**60,000**	**390,865**	-	542,297
	43,160	**390,865**	-	530,089

7 Directors and employees

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

	2005	2004
	Number	Number
Operations and sales	**38**	35
Office and management	**22**	22
	60	57

	£	£
The aggregate payroll costs of these persons were as follows:		*Restated*
Wages and salaries	**1,626,940**	1,535,269
Social security costs	**172,041**	157,838
Other pension costs	**11,033**	14,525
	1,810,014	1,707,632

	£	£
Directors' emoluments		
As directors	**328,950**	253,492
Company contributions to personal pension scheme of one director	**11,033**	14,525
	349,983	268,017
Emoluments of the highest paid director	**72,523**	75,598
Pension contributions on behalf of highest paid director	**11,033**	14,525

Notes *(continued)*

8 Intangible fixed assets

	Licences £
Cost:	
Additions	89,915
At end of year	89,915
Accumulated amortisation:	
Charge for year	2,637
At end of year	2,637
Net book value:	
At 30 September 2005	**87,278**
At 30 September 2004	-

9 Tangible fixed assets

	Freehold land and buildings £	Motor vehicles £	Plant and machinery £	Fixtures and fittings £	Total £
Cost:					
At 1 October 2004	1,835,785	748,558	1,693,458	287,766	4,565,567
Additions	-	-	178,113	26,574	204,687
Disposals	-	-	(75,232)	(73,221)	(148,453)
At 30 September 2005	1,835,785	748,558	1,796,339	241,119	4,621,801
Accumulated depreciation:					
At 1 October 2004	827,983	700,447	1,252,112	249,865	3,030,407
Charge for year	65,251	12,246	128,828	16,697	223,022
Disposals	-	-	(68,849)	(73,221)	(142,070)
At 30 September 2005	893,234	712,693	1,312,091	193,341	3,111,359
Net book value:					
At 30 September 2005	**942,551**	**35,865**	**484,248**	**47,778**	**1,510,442**
At 30 September 2004	1,007,802	48,111	441,346	37,901	1,535,160

Included within freehold land and buildings is land with a value of £442,000 *(2004: £442,000)* which is not depreciated.

Notes *(continued)*

10 Investments

	2005	2004
	£	£
At valuation		
Shares in subsidiary companies	**1,079,539**	1,079,539

The company's investment is in the entire ordinary share capital of its wholly owned subsidiaries, Castle Oils Limited, a company engaged in oil reclamation and waste disposal. This company is incorporated and operates in Great Britain. The investment is carried at directors' valuation at 30 September 2005, to take account of the subsidiaries' underlying net asset value, which gave rise to a revaluation surplus of £Nil during the year *(2004: £Nil)*. The historical cost is £420,000.

11 Stocks

	2005	2004
	£	£
Raw materials and consumables	**12,300**	18,955

12 Debtors

	2005	2004
	£	£
Trade debtors	**1,339,313**	1,399,628
Amounts due from group companies	**883,131**	184,914
Prepayments and accrued income	**90,239**	80,507
Corporation tax	**34,467**	49,185
Other debtors	**-**	80,000
Deferred tax (note 6)	**43,160**	-
	2,390,310	1,794,234

13 Creditors: amounts falling due within one year

	2005	2004
	£	£
Trade creditors	**1,153,970**	1,163,970
Other taxation and social security	**167,648**	82,609
Other creditors	**41,540**	102,296
Accruals and deferred income	**576,725**	532,304
	1,939,883	1,881,179

Notes *(continued)*

14 Creditors: amounts falling due after more than one year

	2005 £	2004 £
Amounts owed to group companies	**6,400,050**	5,803,246

Amounts owed to group companies comprise balances owed to the company's parent company which has indicated that it will continue to provide financial support for the foreseeable future. There are no formal repayment terms and the balance carries no interest charge.

15 Called up share capital

	2005 £	2004 £
Authorised:		
Ordinary shares of £1 each	**100**	100
Allotted, called up and fully paid:		
Ordinary shares of £1 each	**100**	100

16 Reserves

	Investment Revaluation Reserve £	Profit and loss Account £
At 1 October 2004	659,539	(3,704,986)
Retained profit/(loss) for the year	-	311,207
At 30 September 2005	**659,539**	**(3,393,779)**

Notes *(continued)*

17 Reconciliation of movements in shareholders' deficit

	2005	2004
	£	£
Profit/(loss) for the year	**311,207**	(191,223)
Opening shareholders' deficit	**(3,045,347)**	(2,854,124)
Closing shareholders' deficit	**(2,734,140)**	(3,045,347)

18 Contingent liabilities

The company has guaranteed the bank loans and overdraft of its ultimate holding company. The amount outstanding at the year end was £7,826,838 *(2004: £7,826,838).*

19 Related party disclosures

The company has taken advantage of the exemption contained in Financial Reporting Standard 8 which applies to subsidiary undertakings and has not disclosed details of transactions with group companies which are included in the consolidated financial statements of Hillbridge Investments Limited.

20 Commitments

Annual commitments under non-cancellable operating leases are as follows:

	2005		2004	
	Land and buildings	**Other**	Land and Buildings	Other
	£	**£**	£	£
Operating leases which expire:				
Within one year	-	**142,549**	-	110,883
In the second to fifth years inclusive	-	**104,309**	-	132,743
	-	**246,858**	-	243,626

There was £nil of capital commitments *(2004: £nil)* outstanding at the end of the financial year.

21 Ultimate parent company and controlling party

The immediate parent company is Castle Environmental Limited, a company incorporated in Great Britain and registered in England and Wales.

The ultimate parent company and only group in which the results of the company are consolidated is Hillbridge Investments Limited, a company incorporated in Great Britain and registered in England and Wales.

The consolidated financial statements of Hillbridge Investments Limited are available to the public and may be obtained from Companies House, Crown Way, Cardiff CF14 3UZ.

The ultimate controlling party is Bridgepoint Capital Limited.