

**Castle Waste Services Limited**  
**Directors' report and financial**  
**statements**

Registered number 1359619  
Year ended 30 September 2000



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## Company information

Directors	MR Hewitt PK Meister PG Blackler AM Elliott
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 Norfolk House Silbury Boulevard Central Milton Keynes MK9 2HA

## Directors' report

The directors present their report and the audited financial statements for the year ended 30 September 2000.

### 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 changed its name on 1 November 1999 from Kenal Services Limited. The company trades as Castle Environmental.

The management team has continued to concentrate on the identification and processing of specific waste streams that will strengthen the company's performance and provide long term trading stability. Arrangements have been reached during the year with disposal outlets and other contractors that have assisted in improving trading performance.

The company is continuing its programme of developing technology associated with recycling and recovery of materials in accordance with sustainable waste management strategies.

### 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 (1999:£ 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 accounts.

### 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 of year and end of year	
	'A' ordinary shares of £0.01 each Number	'B' ordinary shares of £0.01 each Number
MR Hewitt	-	291,675
PK Meister	-	-
PG Blackler	-	-
AM Elliott	-	-

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.

## **Directors' report** *(continued)*

### **Auditors**

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

By order of the board

A handwritten signature in black ink, appearing to be 'PK Meister', written over a horizontal line.

**PK Meister**  
*Secretary*

## 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;
- 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.



Norfolk House  
Silbury Boulevard  
Central Milton Keynes  
MK9 2HA

## Report of the auditors to the members of Castle Waste Services Limited

We have audited the financial statements on pages 6 to 16.

### 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. 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 company 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 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 September 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants  
Registered Auditors

5 February 2001

## Profit and loss account

for the year ended 30 September 2000

	Note	2000 £	1999 £
<b>Turnover</b> - continuing operations	2	5,644,555	5,745,795
Cost of sales		(3,360,122)	(3,413,081)
<b>Gross profit</b>		2,284,433	2,332,714
Administrative expenses		(3,446,775)	(3,481,422)
Other operating income		126,132	129,264
<b>Operating loss</b>	3	(1,036,210)	(1,019,444)
Interest receivable and similar income	4	-	1,910
Interest payable and similar charges	5	(1,941)	(340,806)
<b>Loss on ordinary activities before taxation</b>		(1,038,151)	(1,358,340)
Taxation on loss on ordinary activities	6	-	(117,396)
<b>Loss for the financial year</b>	16	(1,038,151)	(1,475,736)

There are no recognised gains or losses in either year other than the loss for the year disclosed above.

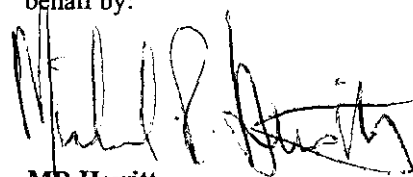


## Balance sheet

at 30 September 2000

	Note	2000	1999
		£	£
<b>Fixed assets</b>			
Tangible assets	8	1,402,609	1,262,819
Investments	9	1,079,539	1,079,539
		<u>2,482,148</u>	<u>2,342,358</u>
<b>Current assets</b>			
Stocks	10	28,481	16,400
Debtors	11	1,383,828	1,595,207
Cash at bank and in hand		27,706	516
		<u>1,440,015</u>	<u>1,612,123</u>
<b>Creditors: amounts falling due within one year</b>	12	<u>(1,628,092)</u>	<u>(1,858,761)</u>
<b>Net current liabilities</b>		<u>(188,077)</u>	<u>(246,638)</u>
<b>Total assets less current liabilities</b>		<u>2,294,071</u>	<u>2,095,720</u>
<b>Creditors: amounts falling due after more than one year</b>	13	(4,755,179)	(3,496,677)
<b>Provisions for liabilities and charges</b>	14	(342,115)	(364,115)
<b>Net liabilities</b>		<u>(2,803,223)</u>	<u>(1,765,072)</u>
<b>Capital and reserves</b>			
Called up share capital	15	100	100
Investment revaluation reserve	16	659,539	659,539
Profit and loss account	16	(3,462,862)	(2,424,711)
<b>Shareholders' funds - equity interests</b>		<u>(2,803,223)</u>	<u>(1,765,072)</u>

These financial statements were approved by the board of directors on 31 January 2001 and were signed on its behalf by:



MR Hewitt  
Director



PK Meister  
Director

# **Reconciliation of movements in shareholders' funds**

*for the year ended 30 September 2000*

	2000 £	1999 £
Loss for the financial year	(1,038,151)	(1,475,736)
Opening shareholders' funds	(1,765,072)	(289,336)
	<hr/>	<hr/>
<b>Closing shareholders' funds</b>	<b>(2,803,223)</b>	<b>(1,765,072)</b>
	<hr/>	<hr/>

## 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 accounting*

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.

The company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group.

#### *Going concern*

Having prepared projected cash flow information for the period ending 12 months from the date of their approval of these accounts, 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 accounts 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 taxation is provided on the liability method in respect of the taxation effect of all timing differences to the extent that tax liabilities are likely to crystallise in the foreseeable future.

#### *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

	2000	1999
	£	£
<i>Operating loss is stated after charging:</i>		
Auditors' remuneration	12,500	12,000
Loss on sale of assets	33,953	18,331
Depreciation of tangible fixed assets (excluding impairment write-downs)		
- owned assets	240,820	216,169
- leased assets	7,316	20,882
Hire of plant and machinery - rentals payable under operating leases	49,242	6,529
Hire of other assets - rentals payable under operating leases	150,867	188,631

### 4 Interest receivable and similar income

	2000	1999
	£	£
Bank interest	-	1,910

**Notes (continued)**

**5 Interest payable and similar charges**

	2000 £	1999 £
On bank loans and overdrafts	375	25,190
On all other loans	-	296,606
Hire and lease purchase interest	1,566	19,010
	<u>1,941</u>	<u>340,806</u>

**6 Taxation**

	2000 £	1999 £
Adjustment to prior year UK corporation tax charge	-	117,396

No provision has been made for corporation tax due to the availability of tax losses. The company has tax losses of £1,500,690 (1999: £866,577) to carry forward to offset against future profits of the trade.

**7 Directors and employees**

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

	2000 Number	1999 Number
Operations and sales	46	49
Office and management	24	23
	<u>70</u>	<u>72</u>

The aggregate payroll costs of these persons were as follows:

	2000 £	1999 £
Wages and salaries	1,567,095	1,700,702
Social security costs	164,269	175,936
Other pension costs	9,062	11,250
	<u>1,740,426</u>	<u>1,887,888</u>

*Directors' emoluments*

	2000 £	1999 £
As directors	213,827	208,215
Company contributions to personal pension scheme of one director	9,062	11,250
	<u>222,889</u>	<u>219,465</u>
Emoluments of the highest paid director	61,187	60,299
Pension contributions on behalf of highest paid director	9,062	11,250

## Notes (continued)

### 8 Tangible fixed assets

	Freehold land and buildings £	Motor vehicles £	Plant and machinery £	Fixtures and fittings £	Total £
<b>Cost</b>					
At 1 October 1999	974,266	1,141,077	1,250,654	248,501	3,614,498
Additions	212,718	57,253	182,062	9,277	461,310
Disposals	-	(129,684)	(45,075)	-	(174,759)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2000	1,186,984	1,068,646	1,387,641	257,778	3,901,049
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>					
At 1 October 1999	602,658	847,412	769,228	132,381	2,351,679
Charge for year	30,118	78,890	106,586	32,542	248,136
Disposals	-	(83,157)	(18,218)	-	(101,375)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2000	632,776	843,145	857,596	164,923	2,498,440
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value</b>					
At 30 September 2000					
Owned assets	554,208	225,501	530,045	78,625	1,388,379
Leased assets	-	-	-	14,230	14,230
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	554,208	225,501	530,045	92,855	1,402,609
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 1999					
Owned assets	371,608	278,225	410,179	96,525	1,156,537
Leased assets	-	15,440	71,247	19,595	106,282
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	371,608	293,665	481,426	116,120	1,262,819
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Included within freehold land and buildings is land with a value of £442,000 (1999: £240,000) which is not depreciated.

### 9 Investments

	2000 £	1999 £
<b>At valuation</b>		
Shares in subsidiary company	1,079,539	1,079,539
	<hr/>	<hr/>

The company's investment is in the entire ordinary share capital of its wholly owned subsidiary, Castle Oils Limited, a company engaged in oil reclamation and waste disposal, which is incorporated and operates in Great Britain. The investment is carried at directors' valuation at 30 September 2000, to take account of the subsidiary's underlying net asset value, which gave rise to a revaluation surplus of £Nil during the year (1999: £Nil). The historical cost is £420,000.

**Notes (continued)**

**10 Stocks**

	2000 £	1999 £
Raw materials and consumables	28,481	16,400

**11 Debtors**

	2000 £	1999 £
Trade debtors	1,153,940	1,500,013
Amounts due from group companies	126,132	-
Other debtors	9,733	-
Prepayments and accrued income	94,023	95,194
	<u>1,383,828</u>	<u>1,595,207</u>

**12 Creditors: amounts falling due within one year**

	2000 £	1999 £
Bank overdraft	-	46,458
Obligations under finance leases and hire purchase contracts	3,533	22,333
Trade creditors	863,398	866,104
Other taxation and social security	46,768	109,458
Other creditors	24,234	13,170
Accruals and deferred income	690,159	801,238
	<u>1,628,092</u>	<u>1,858,761</u>

**Notes (continued)**

**13 Creditors: amounts falling due after more than one year**

	2000 £	1999 £
Amounts owed to group companies	4,748,969	3,486,084
Obligations under finance leases and hire purchase contracts	6,210	10,593
	<u>4,755,179</u>	<u>3,496,677</u>

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.

Obligations under finance leases and hire purchase contracts are repayable over varying periods by monthly instalments as follows:

	2000 £	1999 £
In less than one year	3,533	22,333
In two to five years	6,210	10,593
	<u>9,743</u>	<u>32,926</u>

**14 Provisions for liabilities and charges**

	Deferred taxation £	Other provisions £	Total £
At beginning of year	-	364,115	364,115
Utilised during year	-	(22,000)	(22,000)
	<u>-</u>	<u>342,115</u>	<u>342,115</u>
At end of year	-	342,115	342,115

The amounts provided for deferred taxation and the amounts not provided are set out below:

	2000		1999	
	Provided £	Unprovided £	Provided £	Unprovided £
Difference between accumulated depreciation and capital allowances	-	48,185	-	(33,355)
Other timing differences	-	(139,947)	-	(145,235)
Unrelieved tax losses	-	(450,207)	-	(259,973)
	<u>-</u>	<u>(541,969)</u>	<u>-</u>	<u>(438,563)</u>
Deferred tax asset	-	(541,969)	-	(438,563)

Other provisions represent an assessment by the directors of the additional obligations of the acquired group, as at the date of acquisition, which were identified during the fair value exercise. These obligations relate mainly to the costs of the outgoing management team.



**Notes (continued)**

**15 Called up share capital**

	2000 £	1999 £
<i>Authorised</i>		
Ordinary shares of £1 each	100	100
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	100	100
	<hr/>	<hr/>

**16 Reserves**

	Investment revaluation reserve £	Profit and loss account £
At 1 October 1999	659,539	(2,424,711)
Loss for the year	-	(1,038,151)
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At 30 September 2000	659,539	(3,462,862)
	<hr/>	<hr/>

**17 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 (1999: £7,426,838).

**18 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 accounts of Hillbridge Investments Limited are available to the public and may be obtained from Companies House, Crown Way, Cardiff CF4 3UZ.

The ultimate controlling party is Bridgepoint Capital Limited.

**19 Related party disclosures**

The company has taken advantage of the exemption contained in FRS8 which applies to subsidiary undertakings and has not disclosed details of transactions with group companies which are included in the consolidated accounts of Hillbridge Investments Limited.

**Notes** *(continued)*

**20 Commitments**

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

	2000 £	1999 £
<i>Operating leases which expire:</i>		
Within one year	4,216	22,683
In the second to fifth years inclusive	153,091	120,632
	<hr/>	<hr/>
	157,307	143,315
	<hr/>	<hr/>

At 30 September 2000, the company had £Nil of contracted capital commitments (1999:£48,816).