Castle Waste Services Limited

Directors' report and financial statements

Registered number 01359619

30 September 2008

Contents

Company information

Directors	MR Hewitt PK Meister AM Elliott S Cowley
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 2008.

Principal activity

The principal activity of the company and its subsidiary is waste treatment and disposal.

Business review

The company trades as Castle Environmental.

The Directors are pleased to report that the Company consolidated its position following the success of the previous year. £1 Million has been invested in a state of the art, fully automated, above ground treatment and immobilisation process, which puts the company at the forefront of waste pretreatment.

In addition, great strides have been made in the development of a thermal treatment plant for organic wastes. Development is expected to continue in 2008/9 with commercialization to follow.

The Directors remain confident that the company's assets will continue to deliver value and returns for all Stakeholders.

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 *(2007: £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.

Director

The directors who held office during the year and to the date of this report were as follows:

MR Hewitt
PK Meister
AM Elliott
N Bowen (resigned 23 July 2008)
D Unsworth (resigned 6 June 2008)
S Cowley (appointed 7 April 2008)

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Directors' report *(continued)*

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: 30-1-09

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its 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 of Castle Waste Services Limited for the year ended 30 September 2008 which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities on page 4.

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 are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we 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.

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 company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 September 2008 and of its profit for the year then ended;
- 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.

KPMG LLP

Chartered Accountants
Registered Auditor

Dated: 30 January 2009.

Profit and loss account
for the year ended 30 September 2008

	Note	2008 £	2007 £
Turnover	*3*	**8,720,386**	7,755,294
Cost of sales		**(5,260,870)**	(4,414,819)
Gross profit		**3,459,516**	3,340,475
Administrative expenses		**(3,471,443)**	(3,310,613)
Other operating income		**891,248**	1,050,466
Operating profit	*3*	**879,321**	1,080,328
Income from shares in group undertakings		**-**	2,400,000
Profit on ordinary activities before taxation		**879,321**	3,480,328
Taxation on profit on ordinary activities	*4*	**(252,873)**	24,797
Profit for the financial year	*15*	**626,448**	3,505,125

In both the current and the preceding year, the company had no discontinued operations. On 30 September 2007 the company acquired the trade and assets of M Plus Recycling Limited. This acquisition had no impact on turnover or profit in that year.

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 2008

	Note	£	2008 £	£	2007 £
Fixed assets					
Intangible assets	6		**33,693**		48,854
Tangible assets	7		**2,583,874**		1,711,094
Investments	8		**1,079,539**		1,079,539
			3,697,106		2,839,487
Current assets					
Stocks	9	**13,229**		35,206	
Debtors	10	**1,930,369**		4,288,541	
Cash at bank and in hand		**480,808**		1,196,918	
		2,424,406		5,520,665	
Creditors: amounts falling due within one year	11	**(2,464,416)**		(2,018,239)	
Net current (liabilities) / assets			**(40,010)**		3,502,426
Total assets less current liabilities			**3,657,096**		6,341,913
Creditors: amounts falling due after more than one year	12		**(1,930,061)**		(5,302,653)
Provisions for liabilities and charges	13		**(61,327)**		-
Net assets			**1,665,708**		1,039,260
Capital and reserves					
Called up share capital	14		**100**		100
Investment revaluation reserve	15		**659,539**		659,539
Profit and loss account	15		**1,006,069**		379,621
Shareholders' funds - equity interests	16		**1,665,708**		1,039,260

These financial statements were approved by the board of directors on 30-7-09 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, except as noted below.

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 directors' valuation.

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

Freehold land is not depreciated.

Licences

Costs incurred in the acquisition of site operating licences are capitalised as intangible assets and are amortised on a straight line basis over five years.

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.

Leases

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.

Notes *(continued)*

1 Accounting policies *(continued)*

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

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.

Classification of financial instruments issued by the company

Under Financial Reporting Standard 25, financial instruments issued by the company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and

b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds (see dividends policy), are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

Dividends on shares presented within shareholders' funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

Notes *(continued)*

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 profit

	2008	2007
	£	£
Operating profit is stated after charging/(crediting):		
Loss / (profit) on sale of assets	**16,070**	(811)
Depreciation of tangible fixed assets	**283,540**	165,488
Amortisation of intangible fixed assets	**15,161**	15,161
Hire of plant and machinery - rentals payable under operating leases	**165,575**	146,703
Auditors' remuneration:		
- audit of these financial statements	**16,500**	16,000
- in respect of other services	**11,000**	10,500

4 Taxation

	2008	2007
	£	£
UK corporation tax		
Current tax on income for the period	**126,010**	-
Adjustments in respect of prior periods	**134**	-
Total current tax	**126,144**	-
Deferred tax		
Origination/reversal of timing differences - current year	**120,615**	(18,329)
- prior year	**6,114**	(6,468)
Tax on profit on ordinary activities	**252,873**	(24,797)

Factors affecting the tax charge for the current period

The current tax charge for the period is lower *(2007: lower)* than the standard rate of corporation tax in the UK of 29% *(2007: 30%)*. The differences are explained below.

Notes *(continued)*

	2008	2007
	£	£
Current tax reconciliation		
Profit on ordinary activities before tax	**879,321**	3,480,328
Current tax at 29% *(2007: 30%)*	**255,003**	1,044,098
Effects of:		
Expenses not deductible for tax purposes	**5,482**	6,271
Income not subject to taxation	**-**	(720,000)
Capital allowances for period in excess of depreciation	**(64,751)**	(29,831)
Utilisation of tax losses	**(70,517)**	(301,552)
Other short term timing differences	**(3,807)**	1,014
Depreciation on ineligible assets	**4,600**	-
Adjustments in respect of prior periods	**134**	-
Total current tax charge (see above)	**126,144**	-

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

	2008		2007	
	Provided	**Unprovided**	Provided	Unprovided
	£	**£**	£	£
Difference between accumulated depreciation and capital allowances	**(64,480)**	**-**	(8,848)	-
Other short term timing differences	**3,154**	**-**	3,238	-
Unrelieved tax losses	**-**	**-**	71,012	-
	(61,327)	**-**	65,402	-

Notes *(continued)*

5 Directors and employees

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

	2008 Number	2007 Number
Operations and sales	31	31
Office and management	18	18
	49	49

	£	£
The aggregate payroll costs of these persons were as follows:		
Wages and salaries	1,804,044	1,705,223
Social security costs	202,502	196,983
Other pension costs	17,335	13,985
	2,023,881	1,916,191

	£	£
Directors' emoluments		
As directors	567,849	483,929
Company contributions to personal pension scheme of one director	17,335	10,484
	585,184	494,413
Emoluments of the highest paid director	146,566	123,829
Pension contributions on behalf of highest paid director	-	-

6 Intangible fixed assets

	Licences £
Cost:	
At beginning of year	100,893
Additions	-
At end of year	100,893
Accumulated amortisation:	
At beginning of year	52,039
Charge for the year	15,161
At end of year	67,200
Net book value:	
At 30 September 2008	33,693
At 30 September 2007	48,854

Notes *(continued)*

7 Tangible fixed assets

	Freehold land and buildings £	Motor vehicles £	Plant and machinery £	Fixtures, fittings and office equipment £	Total £
Cost:					
At 1 October 2007	2,519,435	462,714	1,707,071	123,363	4,812,583
Additions	48,210	13,075	1,086,938	22,437	1,170,660
Disposals	(1,130,444)	(91,486)	(261,776)	(16,769)	(1,500,475)
At 30 September 2008	1,437,201	384,303	2,532,233	129,031	4,482,768
Accumulated depreciation:					
At 1 October 2007	1,488,516	441,275	1,097,832	73,866	3,101,489
Charge for year	15,860	8,342	243,150	16,188	283,540
Disposals	(1,130,444)	(88,602)	(250,320)	(16,769)	(1,486,135)
At 30 September 2008	373,932	361,015	1,090,662	73,285	1,898,894
Net book value:					
At 30 September 2008	**1,063,269**	**23,288**	**1,441,571**	**55,746**	**2,583,874**
At 30 September 2007	1,030,919	21,439	609,239	49,497	1,711,094

Included within freehold land and buildings is land with a value of £442,000 *(2007: £442,000)* which is not depreciated.

The net book value of plant and machinery includes £104,750 *(2007: £nil)* in relation to assets held under finance leases and hire purchase contracts. Depreciation charged on these assets during the year was £1,250 *(2007: £nil).*

8 Investments

	2008 £	2007 £
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 waste management activities. This company is incorporated and operates in Great Britain. The investment is carried at directors' valuation at 30 September 2008, to take account of the subsidiaries' underlying net asset value, which gave rise to a revaluation surplus of £nil during the year *(2007: £nil).* The historical cost is £420,000.

9 Stocks

	2008 £	2007 £
Raw materials and consumables	**13,229**	35,206

Notes *(continued)*

10 Debtors

	2008 £	2007 £
Trade debtors	**1,519,115**	1,423,857
Amounts due from group companies	**311,532**	2,721,168
Prepayments and accrued income	**99,722**	75,803
Other debtors	-	2,177
Deferred tax (note 4)	-	65,402
Corporation tax receivable	-	134
	1,930,369	4,288,541

11 Creditors: amounts falling due within one year

	2008 £	2007 £
Trade creditors	**1,511,467**	1,169,419
Amounts owed to group companies	**69,869**	-
Other taxation and social security	**154,175**	245,280
Accruals and deferred income	**631,037**	603,540
Obligations under finance leases and hire purchase contracts	**43,600**	-
Corporation taxation	**54,268**	-
	2,464,416	2,018,239

12 Creditors: amounts falling due after more than one year

	2008 £	2007 £
Amounts owed to group companies	**1,875,228**	5,302,653
Obligations under finance leases and hire purchase contracts	**54,833**	-
	1,930,061	5,302,653
Obligations under finance leases and hire purchase contracts are repayable over varying periods by monthly instalments as follows:		
- in less than one year	**43,600**	-
- in one to two years	**54,833**	-
- in two to five years	-	-
	98,433	-

Amounts owed to group companies falling due after more than one year 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.

Notes *(continued)*

13 Provisions for liabilities and charges

Deferred tax

	£
At beginning of year	-
Charge to the profit and loss account	61,327
At end of year	**61,327**

14 Called up share capital

	2008 £	2007 £
Authorised:		
Ordinary shares of £1 each	**100**	100
Allotted, called up and fully paid:		
Ordinary shares of £1 each	**100**	100

15 Reserves

	Investment revaluation reserve £	Profit and loss account £
At 1 October 2007	659,539	379,621
Retained profit for the year	-	626,448
At 30 September 2008	**659,539**	**1,006,069**

16 Reconciliation of movements in shareholders' funds

	2008 £	2007 £
Profit for the year	**626,448**	3,505,125
Opening shareholders' funds/(deficit)	**1,039,260**	(2,465,865)
Closing shareholders' funds	**1,665,708**	1,039,260

Notes *(continued)*

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 *(2007: £7,826,838)*.

18 Commitments

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

	2008		2007	
	Land and buildings	**Other**	Land and Buildings	Other
	£	**£**	£	£
Operating leases which expire:				
Within one year	-	**138,204**	-	85,192
In the second to fifth years inclusive	-	**271,473**	-	152,881
	-	**409,677**	-	238,073

There was £195,117 of capital commitments *(2007: £55,000)* outstanding at the end of the financial year.

19 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.