Castle Waste Services Limited

Directors' report and financial statements

Registered number 01359619

30 September 2010

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

Registered number 01359619

Directors' report

The directors present their report and the audited financial statements for the year ended 30 September 2010

Principal activity

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

Business review

The company trades as Castle Environmental

Trading improved materially as the economic climate improved and business volumes increased Strong cost control continued in line with current and forecast business levels and the Company is well placed to trade positively going forward

The directors remain confident that the company's assets will continue to deliver value and returns for all stakeholders

Principal risks, uncertainties and financial management objectives

The key performance indicators for the business are cash flow and profitability and hence the most significant risks to the business are those that directly impact on these, which are correlated with general economic activity

The company follows the following financial risk management policies

Price risk

The business may be affected by rising costs of inputs, although purchasing policies and practices seek to mitigate, where practicable, such risks

The business continues to offset the risk of competitive pressure through continual improvement in its customer-focused activities, providing a good quality service at a market price

Interest rate risk

The company is exposed to movements in interest rates and seeks to mitigate such exposure by obtaining facilities on the most beneficial terms available

Credit risk

Credit risk arises on assets such as trade debtors Policies and procedures exist to ensure that the trade debtors have an appropriate credit history before credit is granted

Liquidity risk

Hillbridge Investments Limited Group of which this company is a part, has bank and cash balances of almost £1 8 million at the year end and a further short term borrowing facility which is currently unused The Group also has existing loan facilities as detailed in note 14 of the consolidated financial statements The directors are confident that the current funding structure is appropriate to allow the company to achieve its financial targets in the future

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 *(2009 £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' report *(continued)*

Directors

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

MR Hewitt
PK Meister
AM Elliott
S Cowley

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

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office

By order of the board

PK Meister
Secretary

Dated 17 February 2011

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)

Under company law the directors must not approve the financial statements unless they are satisfied that they 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 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

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 2010 set out on pages 6 to 16 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 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 auditors' 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

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www frc org uk/apb/scope/UKNP

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 September 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

CN Parkin *(Senior Statutory Auditor)*

for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
St Nicholas House
Park Row
Nottingham NG1 6FQ

Dated 17 February 2011

Profit and loss account
for the year ended 30 September 2010

	Note	2010 £	2009 £
Turnover	2	**8,339,370**	6,200,741
Cost of sales		**(6,211,779)**	(5 021 527)
Gross profit		**2,127,591**	1 179,214
Administrative expenses		**(2,277,938)**	(2 175,652)
Exceptional item – Write down of intercompany debt	3	**-**	(207,782)
Other operating income		**349,833**	457,333
Profit/(loss) on ordinary activities before taxation	4	**199,486**	(746,887)
Taxation on profit/(loss) on ordinary activities	5	**(62,457)**	132,190
Profit/(loss) for the financial year	16	**137,029**	(614,697)

In both the current and 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 2010

	Note		2010		2009
		£	£	£	£
Fixed assets					
Intangible assets	*7*		10,315		23,261
Tangible assets	*8*		2,558,465		2,863,296
Investments	*9*		1,079,539		1,079,539
			3,648,319		3,966,096
Current assets					
Stocks	*10*	2,700		1,313	
Debtors	*11*	1,921,948		1,081,244	
Cash at bank and in hand		1,390,722		977,522	
		3,315,370		2,060,079	
Creditors amounts falling due within one year	*12*	(2,643,827)		(1,945,293)	
Net current assets			671,543		114,786
Total assets less current liabilities			4,319,862		4,080,882
Creditors amounts falling due after more than one year	*13*		(3,069,365)		(3,029,871)
Provisions for liabilities and charges	*14*		(62,457)		-
Net assets			1,188,040		1,051,011
Capital and reserves					
Called up share capital	*15*		100		100
Investment revaluation reserve	*16*		659,539		659,539
Profit and loss account	*16*		528,401		391,372
Shareholder's funds	*17*		1,188,040		1,051,011

These financial statements were approved by the board of directors on 17 February 2011 and were signed on its behalf by

MR Hewitt
Director

PK Meister
Director

Company registered number 01359619

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 on a going concern basis in accordance with applicable accounting standards and under the historical cost accounting rules except that investments in subsidiaries are included at directors' valuation

The company is part of the Hillbridge Investments Limited group ('the Group') The Group has bank and cash balances at the year end totalling £1 8 million The Group is financed by both short term and long term loan facilities, the terms of which are detailed in note 14 of the consolidated financial statements These facilities have been in place for over 10 years and have remained unchanged throughout that period The directors monitor cash flow against forecasts as a key performance indicator (KPI) and do not envisage that these facilities will be repaid within the next twelve months

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 20% on cost
Motor vehicles	- 25% on net book value
Plant and machinery	- 10% to 50% on net book value
Fixtures and fittings	- 5% 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 result 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

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 shareholder's 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 shareholder's funds (see dividends policy), are dealt with as appropriations in the reconciliation of movements in shareholder's funds

Dividends on shares presented within shareholder's 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

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 Revenue is recognised when the company has fulfilled its performance obligations in relation to waste processing

Other operating income relates to fees charged to group companies for centrally provided services

3 Exceptional costs

Exceptional costs incurred during the prior year relate to the waiver of an intercompany debt due from M Plus Recycling Limited

Notes *(continued)*

4 Profit/(loss) on ordinary activities before taxation

	2010	2009
	£	£
Profit/(loss) on ordinary activities before taxation is stated after charging/(crediting)		
Profit on sale of assets	(2,240)	(6,503)
Depreciation of tangible fixed assets	528,408	427,941
Amortisation of intangible fixed assets	7,753	10,432
Hire of plant and machinery - rentals payable under operating leases	143,383	147,223
Auditors remuneration		
- audit of these financial statements	16,500	16 500
- in respect of other services	9,500	9,500

5 Taxation

	2010	2009
	£	£
UK corporation tax		
Current tax on income for the period	-	(16,595)
Adjustments in respect of prior periods	-	(54,268)
Total current tax credit	-	(70,863)
Deferred tax		
Origination/reversal of timing differences - current year	64,770	(93,167)
- prior year	(2,313)	31 840
Adjustment in respect of previous years	-	-
Tax charge/(credit) on profit on ordinary activities	62,457	(132,190)

Factors affecting the tax charge/(credit) for the current period

The current tax charge/(credit) for the period is lower *(2009 lower)* than the standard rate of corporation tax in the UK of 28% *(2009 28%)* The differences are explained below

	2010	2009
	£	£
Current tax reconciliation		
Profit/(loss) on ordinary activities before tax	199,486	(746,887)
Current tax at 28% *(2009 28%)*	55,856	(209,128)
Effects of		
Expenses not deductible for tax purposes	31,499	62,024
Capital allowances for period in excess of depreciation	(11,965)	(44 989)
(Utilisation of)/increase in tax losses carried forward	(100,887)	142,608
Other short term timing differences	16,450	533
Depreciation on ineligible assets	35,806	32,357
Additional tax credit for research and development	(26,759)	-
Adjustments in respect of prior periods	-	(54,268)
Total current tax credit	-	(70,863)

Notes *(continued)*

5 Taxation *(continued)*

The Emergency Budget on 22 June 2010, announced that the UK corporation tax rate will reduce from 28% to 24% over a period of 4 years from 2011 The first reduction in the UK corporation tax rate from 28% to 27% was substantially enacted on 20 July 2010 and will be effective from 1 April 2011 This will reduce the company's future current tax charge accordingly

6 Directors and employees

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

	2010 Number	2009 Number
Operations and sales	25	27
Office and management	13	15
	38	42

	£	£
The aggregate payroll costs of these persons were as follows		
Wages and salaries	1,573,011	1,382,350
Social security costs	160,583	154,408
Other pension costs	22,048	24,476
	1,755,642	1,561,234

	£	£
Directors' emoluments		
As directors	718,804	512,855
Company contributions to personal pension scheme of one director	22,088	22,572
	740,892	535,427
Emoluments of the highest paid director	249,928	149 025
Pension contributions on behalf of highest paid director	22,088	22 572

Notes *(continued)*

7 Intangible fixed assets

	Licences
	£
Cost	
At beginning of year	100,893
Disposals	(41,906)
At end of year	58,987
Accumulated amortisation	
At beginning of year	77,632
Charge for the year	7,753
Disposals	(36,713)
At end of year	48,672
Net book value	
At 30 September 2010	**10,315**
At 30 September 2009	23,261

8 Tangible fixed assets

	Freehold land and buildings	Motor vehicles	Plant and machinery	Fixtures, fittings and office equipment	Total
	£	£	£	£	£
Cost					
At 1 October 2009	1 684,731	384,303	2 886,184	119 856	5,075 074
Additions	425	-	224,191	10,813	235,429
Disposals	(22,248)	(105,304)	(96,439)	(1 166)	(225,157)
At 30 September 2010	1,662,908	278 999	3 013 936	129,503	5 085,346
Accumulated depreciation					
At 1 October 2009	450 461	367,330	1,318,484	75,503	2 211,778
Charge for year	119,309	1,085	397,301	10 713	528,408
Disposals	(22 248)	(103 291)	(86 600)	(1 166)	(213,305)
At 30 September 2010	547 522	265 124	1 629 185	85 050	2 526,881
Net book value					
At 30 September 2010	**1,115,386**	**13,875**	**1,384,751**	**44,453**	**2,558,465**
At 30 September 2009	1,234,270	16,973	1 567,700	44,353	2 863,296

Included within freehold land and buildings is land with a value of £442,000 *(2009 £442,000)* which is not depreciated

Notes *(continued)*

8 Tangible fixed assets *(continued)*

The net book value of plant and machinery includes £96,166 *(2009 £114,397)* in relation to assets held under finance leases and hire purchase contracts Depreciation charged on these assets during the year was £18,667 *(2009 £18,921)*

9 Investments

	2010	2009
	£	£
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 subsidiary, 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 2010, to take account of the subsidiaries' underlying net asset value The historical cost is £420,000

10 Stocks

	2010	2009
	£	£
Raw materials and consumables	**2,700**	1,313

11 Debtors

	2010	2009
	£	£
Trade debtors	**1,866,629**	984 900
Prepayments and accrued income	**55,319**	96,344
	1,921,948	1 081,244

12 Creditors amounts falling due within one year

	2010	2009
	£	£
Obligations under finance leases and hire purchase contracts	**21,472**	53,812
Trade creditors	**1,271,994**	924,172
Amounts owed to group companies	**100,989**	154,965
Other taxation and social security	**124,681**	119,268
Accruals and deferred income	**1,124,691**	693,076
	2,643,827	1,945,293

Notes *(continued)*

13 Creditors amounts falling due after more than one year

	2010 £	2009 £
Amounts owed to group companies	3,069,365	3 008,398
Obligations under finance leases and hire purchase contracts	-	21,473
	3,069,365	3,029 871

	2010 £	2009 £
Obligations under finance leases and hire purchase contracts are repayable over varying periods by monthly instalments as follows		
- in less than one year	21,472	53 812
- in one to two years	-	21,473
	21,472	75,285

Amounts owed to group companies falling due after more than one year comprise balances owed to the company's parent company There are no formal repayment terms and the balance carries no interest charge

14 Provisions for liabilities and charges

Deferred tax

	£
At beginning of year	-
Charge to the profit and loss account	62,457
At end of year	**62,457**

The elements of deferred taxation are as follows

	2010 £	2009 £
Difference between accumulated depreciation and capital allowances	133,612	(132,169)
Other short term timing differences	(19,418)	3,687
Unrelieved tax losses	(51,737)	128,482
	62,457	-

In the prior year, the group did not recognise a deferred tax asset for tax losses of £14,125 on the grounds that it could not be reasonably assumed that such losses would be utilised

15 Called up share capital

	2010 £	2009 £
Allotted, called up and fully paid		
Ordinary shares of £1 each	100	100

Notes *(continued)*

16 Reserves

	Investment revaluation reserve £	Profit and loss account £
At 1 October 2009	659,539	391,372
Profit for the year	-	137,029
At 30 September 2010	**659,539**	**528,401**

17 Reconciliation of movements in shareholder's funds

	2010 £	2009 £
Profit/(loss) for the year	137,029	(614,697)
Opening shareholder's funds	1,051,011	1 665 708
Closing shareholder's funds	1,188,040	1 051,011

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 *(2009 £7,826,838)*

19 Commitments

Annual commitments under non-cancellable operating leases are as follows

	2010		2009	
	Land and buildings £	Other £	Land and Buildings £	Other £
Operating leases which expire				
Within one year	-	100,357	-	9,176
In the second to fifth years inclusive	-	173,339	-	123,413
	-	273,696	-	132,589

There were £8,023 of capital commitments *(2009 £41,607)* outstanding at the end of the financial year

20 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 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

Notes *(continued)*

21 Related party disclosures

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