

**Kenal Services Limited**

**Directors' report and financial  
statements**

**Registered number 1359619**

**30 September 1998**



## Contents

|   |   |
|---|---|
| Company information   | 1 |
| Directors' report   | 2 |
| Statement of directors' responsibilities                        | 4 |
| Report of the auditors to the members of Kenal Services Limited | 5 |
| Profit and loss account   | 6 |
| Balance sheet   | 7 |
| Statement of total recognised gains and losses                  | 8 |
| Notes   | 9 |

## Company information

|                   |   |
|-------------------|---|
| Directors         | MR Hewitt<br>PK Meister   |
| Secretary         | PK Meister  |
| Registered office | Treatment Centre<br>Crompton Road<br>Ilkeston<br>Derbyshire<br>DE7 4BG                                |
| Bankers           | National Westminster Bank plc<br>PO Box 13<br>5 Market Place<br>Chesterfield<br>Derbyshire<br>S40 1TJ |
| Auditors          | KPMG<br>Norfolk House<br>Silbury Boulevard<br>Central Milton Keynes<br>MK9 2HA                        |

## Directors' report

The directors present their report and the audited financial statements for the eighteen months ended 30 September 1998.

### Principal activity

The principal activity of the company is waste disposal.

### Change of year end

The company has changed its period end to 30 September to bring it into line with the other companies in the group. Consequently, the accounts have been made up for the eighteen months to 30 September 1998.

### Business review and future developments

During the period, ultimate ownership of the company changed whereby the entire share capital of the company's parent, Kenal Services Holdings Limited, was acquired by Hillbridge Investments Limited.

Considerable work has been carried out to improve the operational activities of the company. In addition, a new management team has been appointed. Significant progress has been made and the underlying trading position considerably strengthened. The company's status within the industry has also been materially enhanced and its relationships with its client base and regulators placed upon a stable footing. The improvement in trading performance will be maintained and enhanced during the coming year and the company is pursuing a number of developments that should enable material growth to be achieved in the future.

In order to assist and support the company's growth, the group to which the company belongs completed a re-financing exercise on 31 August 1999 which reconstituted the group's borrowing facilities and provided new resources of £1.32m. The new facilities will be used for additional working capital and for capital expenditure.

### Results and appropriations

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

The directors do not propose the payment of an ordinary dividend.

### Fixed assets

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.

### Year 2000

The directors have considered the implication of the millennium bug and do not anticipate that the operational and business issues will have a significant impact on the company. Any costs incurred in addressing any issues will be charged directly to the profit and loss account.

### Directors and directors' interests

The directors of the company during the period and their interests in the shares of the company as recorded in the register of directors' interests were as follows:

|   | 30 September 1998<br>(or date of resignation)<br>Ordinary shares | 31 March 1997<br>(or date of appointment)<br>Ordinary shares |
|---|--|--|
| K Swift (resigned 27 February 1998)     | -  | -  |
| JS Swift (resigned 27 February 1998)    | -  | -  |
| MR Hewitt (appointed 27 February 1998)  | -  | -  |
| PK Meister (appointed 27 February 1998) | -  | -  |

## Directors' report *(continued)*

### Directors and directors' interests *(continued)*

The interests of the directors in the shares of the immediate parent company, Kenal Services Holdings Limited, are as follows:

|            | 30 September 1998<br>(or date of<br>resignation)<br>Ordinary shares | 31 March 1997<br>(or date of<br>appointment)<br>Ordinary shares |
|------------|---|---|
| K Swift    | -   | 1   |
| JS Swift   | -   | 5,000   |
| MR Hewitt  | -   | -   |
| PK Meister | -   | -   |

In addition, Kenneth Swift had an interest in the remaining 4,999 ordinary shares through Moresfield Limited, a non-resident trust.

The directors had no interest in the shares of the subsidiary company, Castle Oils Limited.

In accordance with the Articles of Association, MR Hewitt retires by rotation and offers himself for re-election.


On 27 February 1998, Hillbridge Investments Limited acquired the entire shareholding of Kenal Services Holdings Limited. The interests of the directors in the shares of that company are as follows:

|            | 30 September 1998<br>'A' ordinary shares of<br>£0.01 each<br>Number | 'B' ordinary shares of<br>£0.01 each<br>Number |
|------------|---|--|
| MR Hewitt  | -   | 291,675  |
| PK Meister | -   | -  |

### 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



**PK Meister**  
Secretary

10 November 1999

## **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 Kenal Services Limited**

We have audited the financial statements on pages 6 to 17.

### **Respective responsibilities of directors and auditors**

As described on page 4 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

### **Basis of opinion**

We conducted our audit in accordance with 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 1998 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

*Chartered Accountants  
Registered Auditors*

15 November 1999

## Profit and loss account

for the eighteen months ended 30 September 1998

|  |      | Eighteen months to<br>30 September 1998 |                                       |             | Year ended<br>31 March<br>1997 |
|--|------|---|---------------------------------------|-------------|--------------------------------|
|  | Note | Before<br>exceptional<br>items<br>£     | Exceptional<br>items<br>(Note 3)<br>£ | Total<br>£  | £                              |
| <b>Turnover</b>                                    | 2    |   |                                       |             |                                |
| Continuing operations                              |      | 10,495,225                              | -                                     | 10,495,225  | 5,543,593                      |
| Cost of sales                                      |      | (4,805,122)                             | (635,358)                             | (5,440,480) | (2,529,652)                    |
| <b>Gross profit</b>                                |      | 5,690,103                               | (635,358)                             | 5,054,745   | 3,013,941                      |
| Administrative expenses                            |      | (5,432,046)                             | (1,195,079)                           | (6,627,125) | (2,970,283)                    |
| Other operating income                             |      | -                                       | 200,000                               | 200,000     | -                              |
| <b>Operating profit/(loss)</b>                     | 3    | 258,057                                 | (1,630,437)                           | (1,372,380) | 43,658                         |
| Interest receivable and similar income             | 4    | 24,046                                  | -                                     | 24,046      | -                              |
| Interest payable and similar charges               | 5    | (500,548)                               | -                                     | (500,548)   | (176,560)                      |
| <b>Loss on ordinary activities before taxation</b> |      | (218,445)                               | (1,630,437)                           | (1,848,882) | (132,902)                      |
| Taxation   | 6    | 79,682                                  | 132,999                               | 212,681     | (11,232)                       |
| <b>Loss for the financial period</b>               | 16   | (138,763)                               | (1,497,438)                           | (1,636,201) | (144,134)                      |

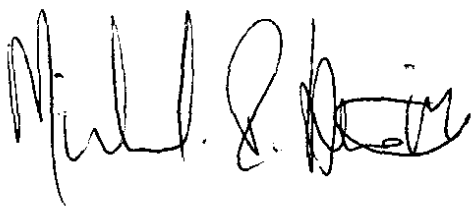


**Balance sheet**  
*at 30 September 1998*

|  | Note | 30 September<br>1998 |   | 31 March<br>1997 |   |
|--|------|----------------------|---|------------------|---|
|  |      | £                    | £ | £                | £ |
| <b>Fixed assets</b>  |      |                      |   |                  |   |
| Tangible assets  | 8    | 1,189,294            |   | 2,273,738        |   |
| Investments  | 9    | 1,079,539            |   | 420,000          |   |
|  |      |                      |   |                  |   |
|  |      | 2,268,833            |   | 2,693,738        |   |
| <b>Current assets</b>  |      |                      |   |                  |   |
| Stocks   | 10   | 5,478                |   | -                |   |
| Debtors  | 11   | 1,385,670            |   | 1,564,146        |   |
| Cash in hand   |      | 55,439               |   | 331              |   |
|  |      |                      |   |                  |   |
|  |      | 1,446,587            |   | 1,564,477        |   |
| <b>Creditors: amounts falling due within one year</b>          | 12   | (3,618,756)          |   | (3,020,444)      |   |
|  |      |                      |   |                  |   |
| <b>Net current liabilities</b>                                 |      | (2,172,169)          |   | (1,455,967)      |   |
|  |      |                      |   |                  |   |
| <b>Total assets less current liabilities</b>                   |      | 96,664               |   | 1,237,771        |   |
| <b>Creditors: amounts falling due after more than one year</b> | 13   | -                    |   | (420,265)        |   |
| <b>Provisions for liabilities and charges</b>                  | 14   | (386,000)            |   | (130,180)        |   |
|  |      |                      |   |                  |   |
| <b>Net (liabilities)/assets</b>                                |      | (289,336)            |   | 687,326          |   |
|  |      |                      |   |                  |   |
| <b>Capital and reserves</b>                                    |      |                      |   |                  |   |
| Called up share capital  | 15   | 100                  |   | 100              |   |
| Revaluation reserve  | 16   | 659,539              |   | -                |   |
| Profit and loss account  | 16   | (948,975)            |   | 687,226          |   |
|  |      |                      |   |                  |   |
| <b>Shareholders' funds - equity interests</b>                  |      | (289,336)            |   | 687,326          |   |

These financial statements were approved by the board of directors on 10 November 1999 and were signed on its behalf by:

MR Hewitt  
Director



**Statement of total recognised gains and losses**  
*for the eighteen months ended 30 September 1998*

|   | Period ended<br>30 September<br>1998<br>£ | Year ended<br>31 March<br>1997<br>£ |
|---|---|-------------------------------------|
| Loss for the financial period   | (1,636,201)                               | (144,134)                           |
| Unrealised surplus on revaluation of investment                           | 659,539                                   | -                                   |
|   | <hr/>                                     | <hr/>                               |
| <b>Total recognised gains and losses relating to the financial period</b> | <b>(976,662)</b>                          | <b>(144,134)</b>                    |
|   | <hr/> <hr/>                               | <hr/> <hr/>                         |

**Reconciliation of movements in shareholders' funds**

|                                      | Period ended<br>30 September<br>1998<br>£ | Year ended<br>31 March<br>1997<br>£ |
|--------------------------------------|---|-------------------------------------|
| Loss for the financial period        | (1,636,201)                               | (144,134)                           |
| Goodwill written off to reserves     | -   | (25,211)                            |
| Revaluation surplus                  | 659,539                                   | -                                   |
|                                      | <hr/>                                     | <hr/>                               |
| Net reduction in shareholders' funds | (976,662)                                 | (169,345)                           |
| Opening shareholders' funds          | 687,326                                   | 856,671                             |
|                                      | <hr/>                                     | <hr/>                               |
| <b>Closing shareholders' funds</b>   | <b>(289,336)</b>                          | <b>687,326</b>                      |
|                                      | <hr/> <hr/>                               | <hr/> <hr/>                         |

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

#### *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.

#### *Cash flow statement*

Under Financial Reporting Standard 1 (revised 1996) the company is exempt from the requirement to prepare a cash flow statement on the grounds that the ultimate parent undertaking includes the cashflows 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          |
| Plant and machinery   | - | 15% on net book value |
| Motor vehicles        | - | 25% 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.

#### *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.

## Notes (continued)

### 1 Accounting policies (continued)

#### *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.

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on business combinations in respect of acquisitions since 1 April 1997 is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life.

#### *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 profit/(loss)

|  | Period ended<br>30 September<br>1998<br>£ | Year ended<br>31 March<br>1997<br>£ |
|--|---|-------------------------------------|
| <i>Operating profit/(loss) is stated after charging:</i>                 |   |                                     |
| Exceptional items (see below)  | 1,630,437                                 | -                                   |
| Auditors' remuneration   | 7,000                                     | 7,000                               |
| Loss on sale of assets   | 34,600                                    | 22,773                              |
| Depreciation of tangible fixed assets (excluding impairment write-downs) |   |                                     |
| - owned assets   | 514,175                                   | 227,854                             |
| - leased assets  | 88,339                                    | 186,253                             |
| Hire of plant and machinery - rentals payable under operating leases     | 11,169                                    | 7,446                               |
| Hire of other assets - operating leases                                  | 397,021                                   | 264,681                             |
|  | <hr/>                                     | <hr/>                               |

#### *Exceptional items*

Immediately following the acquisition of the company's holding company, the directors appointed a firm of independent chemical engineering consultants to quantify the cost of processing the waste held on site and to review the state of repair of certain fixed assets (excluding buildings). In addition, a firm of independent civil engineering consultants was appointed to carry out a survey of the businesses' premises. The work carried out and the various findings were summarised in formal reports and financial estimates made of the asset impairments and processing costs required. Also set out in the report was the additional expenditure required to replace and upgrade fixed assets. The directors have used this information to determine the provisional fair values of the assets and liabilities acquired by Hillbridge Investments Limited and hence the write downs and provisions required in Kenal Services Limited's accounts. Other adjustments have been made where appropriate. No adjustment has been made for the replacement or upgrading of fixed assets.

The directors are continually evaluating the financial validity of the findings and consider that the provisional fair values of the net assets ascribed may in fact be lower but are not yet in a position to reach a final determination.

Furthermore, the final consideration for Kenal Services Holdings Limited is yet to be determined and is subject to ongoing legal proceedings.

## Notes (continued)

### 3 Operating profit/(loss) (continued)

Exceptional items for the period ended 30 September 1998 can be summarised as follows:

|   | £           |
|---|-------------|
| Cost of processing waste on site                              | (514,179)   |
| Rectification costs for vehicle fleet                         | (121,179)   |
| Contribution to company by vendor on disposal                 | 200,000     |
| Asset impairment write downs (additional depreciation)        | (680,258)   |
| Changes in management structure                               | (386,000)   |
| Other restructuring costs associated with change in ownership | (128,821)   |
|   | <hr/>       |
| Impact on operating results                                   | (1,630,437) |
| Taxation on above   | 132,999     |
|   | <hr/>       |
| Post tax effect   | (1,497,438) |
|   | <hr/> <hr/> |

### 4 Interest receivable and similar income

|                             | Period ended<br>30 September<br>1998<br>£ | Year ended<br>31 March<br>1997<br>£ |
|-----------------------------|---|-------------------------------------|
| Bank interest               | 23,970                                    | -                                   |
| Interest on corporation tax | 76  | -                                   |
|                             | <hr/>                                     | <hr/>                               |
|                             | 24,046                                    | -                                   |
|                             | <hr/> <hr/>                               | <hr/> <hr/>                         |

### 5 Interest payable and similar charges

|                                  | Period ended<br>30 September<br>1998<br>£ | Year ended<br>31 March<br>1997<br>£ |
|----------------------------------|---|-------------------------------------|
| Bank interest                    | 10  | 34,207                              |
| Loan interest                    | 399,557                                   | 28,423                              |
| Hire and lease purchase interest | 59,190                                    | 62,096                              |
| Factoring interest               | 41,791                                    | 51,834                              |
|                                  | <hr/>                                     | <hr/>                               |
|                                  | 500,548                                   | 176,560                             |
|                                  | <hr/> <hr/>                               | <hr/> <hr/>                         |

## Notes (continued)

### 6 Taxation

|   | Period ended<br>30 September<br>1998<br>£ | Year ended<br>31 March<br>1997<br>£ |
|---|---|-------------------------------------|
| Group relief on loss on ordinary activities at 31% (1997:33%) | (117,396)                                 | (2,312)                             |
| Adjustment to prior year UK corporation tax charge            | 34,895                                    | (1,786)                             |
| Deferred taxation   |   |                                     |
| - current year  | (105,935)                                 | (19,670)                            |
| - prior years   | (24,245)                                  | 35,000                              |
|   | <u>(212,681)</u>                          | <u>11,232</u>                       |

The low rate of tax is explained to a large extent by the significant unprovided deferred tax asset, details of which are set out in note 14.

### 7 Directors and employees

#### *Staff costs including directors' emoluments*

|                       | Period ended<br>30 September<br>1998<br>£ | Year ended<br>31 March<br>1997<br>£ |
|-----------------------|---|-------------------------------------|
| Wages and salaries    | 2,831,958                                 | 1,575,432                           |
| Social security costs | 298,698                                   | 156,444                             |
| Pension costs         | 8,050                                     | 1,730                               |
|                       | <u>3,138,706</u>                          | <u>1,733,606</u>                    |

#### *Average number employed including executive directors*

|                       | Period ended<br>30 September<br>1998<br>Number | Year ended<br>31 March<br>1997<br>Number |
|-----------------------|--|--|
| Production and sales  | 53   | 51                                       |
| Office and management | 28   | 26                                       |
|                       | <u>81</u>                                      | <u>77</u>                                |

#### *Directors' emoluments*

|  | Period ended<br>30 September<br>1998<br>£ | Year ended<br>31 March<br>1997<br>£ |
|--|---|-------------------------------------|
| As directors excluding pension contributions             | 332,309                                   | 120,572                             |
| Contributions to personal pension scheme of one director | 6,563                                     | -                                   |
|  | <u>338,872</u>                            | <u>120,572</u>                      |
| Emoluments of the highest paid director                  | 169,857                                   | 76,483                              |
| Pension contributions on behalf of highest paid director | -   | -                                   |
|  | <u>169,857</u>                            | <u>76,483</u>                       |

## Notes (continued)

### 8 Tangible fixed assets

|                       | Freehold land<br>& buildings<br>£ | Motor<br>vehicles<br>£ | Plant and<br>machinery<br>£ | Fixtures &<br>fittings<br>£ | Total<br>£ |
|-----------------------|-----------------------------------|------------------------|-----------------------------|-----------------------------|------------|
| <b>Cost</b>           |                                   |                        |                             |                             |            |
| At 1 April 1997       | 928,501                           | 1,428,543              | 865,305                     | 172,409                     | 3,394,758  |
| Additions             | 10,732                            | 143,970                | 114,277                     | 18,901                      | 287,880    |
| Disposals             | -                                 | (209,857)              | -                           | -                           | (209,857)  |
|                       | <hr/>                             | <hr/>                  | <hr/>                       | <hr/>                       | <hr/>      |
| At 30 September 1998  | 939,233                           | 1,362,656              | 979,582                     | 191,310                     | 3,472,781  |
|                       | <hr/>                             | <hr/>                  | <hr/>                       | <hr/>                       | <hr/>      |
| <b>Depreciation</b>   |                                   |                        |                             |                             |            |
| At 1 April 1997       | 62,477                            | 675,943                | 328,407                     | 54,193                      | 1,121,020  |
| Charge for period     | 46,910                            | 331,888                | 178,638                     | 45,078                      | 602,514    |
| Impairment charge     | 469,450                           | 31,881                 | 178,927                     | -                           | 680,258    |
| Disposals             | -                                 | (120,305)              | -                           | -                           | (120,305)  |
|                       | <hr/>                             | <hr/>                  | <hr/>                       | <hr/>                       | <hr/>      |
| At 30 September 1998  | 578,837                           | 919,407                | 685,972                     | 99,271                      | 2,283,487  |
|                       | <hr/>                             | <hr/>                  | <hr/>                       | <hr/>                       | <hr/>      |
| <b>Net book value</b> |                                   |                        |                             |                             |            |
| At 30 September 1998  |                                   |                        |                             |                             |            |
| Owned assets          | 360,396                           | 347,490                | 208,285                     | 92,039                      | 1,008,210  |
| Leased assets         | -                                 | 95,759                 | 85,325                      | -                           | 181,084    |
|                       | <hr/>                             | <hr/>                  | <hr/>                       | <hr/>                       | <hr/>      |
|                       | 360,396                           | 443,249                | 293,610                     | 92,039                      | 1,189,294  |
|                       | <hr/>                             | <hr/>                  | <hr/>                       | <hr/>                       | <hr/>      |
| At 31 March 1997      |                                   |                        |                             |                             |            |
| Owned assets          | 866,024                           | 451,872                | 284,005                     | 90,678                      | 1,692,579  |
| Leased assets         | -                                 | 300,728                | 252,893                     | 27,538                      | 581,159    |
|                       | <hr/>                             | <hr/>                  | <hr/>                       | <hr/>                       | <hr/>      |
|                       | 866,024                           | 752,600                | 536,898                     | 118,216                     | 2,273,738  |
|                       | <hr/>                             | <hr/>                  | <hr/>                       | <hr/>                       | <hr/>      |

Details of the impairment review are provided in note 3.

### 9 Investments

|                                  | 30 September<br>1998<br>£ | 31 March<br>1997<br>£ |
|----------------------------------|---------------------------|-----------------------|
| <b>Cost or valuation</b>         |                           |                       |
| Investment in subsidiary company | 1,079,539                 | 420,000               |
|                                  | <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 1998, to take account of the subsidiary's underlying net asset value, which gave rise to a revaluation surplus of £659,539 during the period. The historical cost is £420,000.

## Notes (continued)

### 10 Stock

|                               | 30 September<br>1998<br>£ | 31 March<br>1997<br>£ |
|-------------------------------|---------------------------|-----------------------|
| Raw materials and consumables | 5,478                     | -                     |
|                               | <u>          </u>         | <u>          </u>     |

### 11 Debtors

|   | 30 September<br>1998<br>£ | 31 March<br>1997<br>£ |
|---|---------------------------|-----------------------|
| <i>Amounts falling due within one year:</i> |                           |                       |
| Trade debtors                               | 1,168,252                 | 1,483,637             |
| Other debtors                               | 119,396                   | 14,876                |
| Prepayments and accrued income              | 98,022                    | 65,633                |
|   | <u>          </u>         | <u>          </u>     |
|   | 1,385,670                 | 1,564,146             |
|   | <u>          </u>         | <u>          </u>     |

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

|  | 30 September<br>1998<br>£ | 31 March<br>1997<br>£ |
|--|---------------------------|-----------------------|
| Bank loans (note 13)   | -                         | 40,340                |
| Bank overdraft (note 13)                                     | -                         | 529,538               |
| Trade creditors  | 998,752                   | 521,929               |
| Amounts owed to group companies                              | 1,368,642                 | 570,815               |
| Other taxation and social security                           | 60,263                    | 197,353               |
| Other creditors  | 48,736                    | 6,594                 |
| Accruals and deferred income                                 | 1,106,447                 | 299,631               |
| Obligations under finance leases and hire purchase contracts | 35,916                    | 266,843               |
| Payments on account  | -                         | 587,401               |
|  | <u>          </u>         | <u>          </u>     |
|  | 3,618,756                 | 3,020,444             |
|  | <u>          </u>         | <u>          </u>     |



## Notes (continued)

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

|  | 30 September<br>1998<br>£ | 31 March<br>1997<br>£ |
|--|---------------------------|-----------------------|
| Bank loans   | -                         | 278,866               |
| Obligations under finance leases and hire purchase contracts | -                         | 141,399               |
|  | <hr/>                     | <hr/>                 |
|  | -                         | 420,265               |
|  | <hr/>                     | <hr/>                 |

The bank loans are repayable in instalments as follows:

|                         |       |         |
|-------------------------|-------|---------|
| In one to two years     | -     | 44,124  |
| In two to five years    | -     | 96,266  |
| In more than five years | -     | 138,476 |
|                         | <hr/> | <hr/>   |
|                         | -     | 278,866 |
|                         | <hr/> | <hr/>   |

The bank loans and overdraft are secured by a legal mortgage over the property.

The loans are repayable by equal monthly instalments, and incur interest at a rate of 2% over the bank's base rate.

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

|                      | 30 September<br>1998<br>£ | 31 March<br>1997<br>£ |
|----------------------|---------------------------|-----------------------|
| In one to two years  | -                         | 125,353               |
| In two to five years | -                         | 16,046                |
|                      | <hr/>                     | <hr/>                 |
|                      | -                         | 141,399               |
|                      | <hr/>                     | <hr/>                 |

## Notes (continued)

### 14 Provisions for liabilities and charges

|                      | Taxation<br>including<br>deferred<br>taxation<br>£ | Other<br>provisions<br>(see note 3)<br>£ | Total<br>£ |
|----------------------|--|--|------------|
| At beginning of year | 130,180  | -  | 130,180    |
| Utilised during year | (130,180)  | -  | (130,180)  |
| Charge for the year  | -  | 386,000                                  | 386,000    |
|                      | <hr/>  | <hr/>                                    | <hr/>      |
| At end of year       | -  | 386,000                                  | 386,000    |
|                      | <hr/>  | <hr/>                                    | <hr/>      |

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

|   | 30 September 1998 |                 | 31 March 1997 |                 |
|---|-------------------|-----------------|---------------|-----------------|
|   | Provided<br>£     | Unprovided<br>£ | Provided<br>£ | Unprovided<br>£ |
| Difference between accumulated depreciation<br>and capital allowances | -                 | (184,859)       | 130,180       | -               |
| Other timing differences  | -                 | (62,930)        | -             | -               |
| Unrelieved tax losses   | -                 | (8,678)         | -             | (8,728)         |
|   | <hr/>             | <hr/>           | <hr/>         | <hr/>           |
| (Asset)/liability   | -                 | (256,467)       | 130,180       | (8,728)         |
|   | <hr/>             | <hr/>           | <hr/>         | <hr/>           |

### 15 Called up share capital

|   | 30 September<br>1998<br>£ | 31 March<br>1997<br>£ |
|---|---------------------------|-----------------------|
| <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

|                      | Profit and loss<br>account<br>£ | Investment<br>revaluation<br>reserve<br>£ |
|----------------------|---------------------------------|---|
| At 1 April 1997      | 687,226                         | -   |
| Loss for the period  | (1,636,201)                     | -   |
| Revaluation surplus  | -                               | 659,539                                   |
|                      | <hr/>                           | <hr/>                                     |
| At 30 September 1998 | (948,975)                       | 659,539                                   |
|                      | <hr/>                           | <hr/>                                     |

## Notes (continued)

### 17 Ultimate parent company and controlling party

The immediate parent company is Kenal Services Holdings 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 NatWest Equity Partners Limited.

### 18 Related party disclosures

The following management charges have been received from group and related companies during the period, and have been included in the profit and loss account for the period:

|                                   | Period ended<br>30 September<br>1998<br>£ | Year ended<br>31 March<br>1997<br>£ |
|-----------------------------------|---|-------------------------------------|
| Castle Oils Limited               | 265,335                                   | 147,633                             |
| Kenal Services (Northern) Limited | -   | 276,125                             |
|                                   | <hr/> 265,335                             | <hr/> 423,758                       |
|                                   | <hr/> <hr/>                               | <hr/> <hr/>                         |

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

### 19 Commitments

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

|  | Land and<br>buildings<br>£ | Other<br>£    |
|--|----------------------------|---------------|
| <i>Operating leases which expire:</i>  |                            |               |
| Within one year                        | -                          | 175,994       |
| In the second to fifth years inclusive | -                          | 80,650        |
| Over five years                        | -                          | -             |
|  | <hr/> -                    | <hr/> 256,644 |
|  | <hr/> <hr/>                | <hr/> <hr/>   |

### 20 Refinancing

On 31 August 1999, the group to which the company belongs completed a refinancing exercise which reconstituted the group's borrowing facilities and provided new loans totalling £1.32 million. The new facilities will be used for additional working capital and for capital expenditure. Under the refinancing agreement, certain of the terms of the existing borrowings were varied and priority arrangements were set.